

March 1955

THE ROUND TABLE

THE ROUND TABLE

A Quarterly Review of

BRITISH COMMONWEALTH AFFAIRS

Contents of Number 178

DISENGAGEMENT

THE AMERICAN AND THE WORLD

THE ROAD TO CONVERTIBILITY

MIDDLE EASTERN DEFENCE

PUBLIC LOSS OR PRIVATE PROFIT

AMERICA'S LONG PULL

A NASCENT DOMINION

And Articles from Correspondents in

UNITED KINGDOM IRELAND INDIA PAKISTAN

CANADA SOUTH AFRICA AUSTRALIA

NEW ZEALAND EAST AFRICA

MARCH 1955

Price 7s. 6d.

By Air Mail Ten Shillings

THE ROUND TABLE is a co-operative enterprise conducted by people who dwell in the different parts of the British Commonwealth, and whose aim is to publish once a quarter a comprehensive review of imperial politics, free from the bias of local party issues. To this is added a careful and impartial treatment of outstanding international problems that affect the nations of the Commonwealth. The affairs of THE ROUND TABLE in each portion of the Commonwealth are in the hands of local residents, who are responsible for all articles on the politics of their own country. It is hoped that in this way THE ROUND TABLE serves to reflect the current opinions of all parts about imperial problems, and at the same time to present a survey of them as a whole, in the light of changing world conditions.

THE ROUND TABLE, which appears every March, June, September and December, can be obtained through any Bookseller or through:

GREAT BRITAIN, IRELAND, SOUTH AFRICA, AUSTRALIA, AND THE UNITED STATES:
THE ROUND TABLE, LTD., 15 Ormond Yard, Duke of York Street, London, S.W. 1.

CANADA: H. W. Macdonnell, 1404 Montreal Trust Building, 67 Yonge Street, Toronto, Ontario.

NEW ZEALAND: The Secretary, THE ROUND TABLE, c/o Messrs. McKay, Little and Knight, Majestic Buildings, Willis Street, Wellington.

Any would-be reader of THE ROUND TABLE who has difficulty in obtaining it through his usual bookseller is requested to write at once to the nearest of these addresses.

The price of THE ROUND TABLE is 7s. 6d. or \$1.25 per copy, and the annual subscriptions (including postage) 30s., in U.S.A. and Canada \$5. There is a limited air edition at 10s. or \$2.50 per copy, or 40s. or \$10 per annum.

Covers for binding volumes may be obtained at the price of 3s. 6d. from THE ROUND TABLE, Ltd., London, who will also supply back numbers of THE ROUND TABLE at the published price, if stocks allow. A limited number of copies of the Index and Title-page are annually available, free of charge, to those subscribers who bind THE ROUND TABLE, and may be obtained on application to any of the above agents, or to THE ROUND TABLE, Ltd., 15 Ormond Yard, Duke of York Street, London, S.W. 1.

PERMISSION TO REPRINT

For permission to reprint matter that has appeared in THE ROUND TABLE application should be made to the Editor, 15 Ormond Yard, Duke of York Street, London, S.W. 1, or, in Canada and New Zealand, to the Hon. Secretaries of THE ROUND TABLE Groups whose addresses are given above.

THE ROUND TABLE

A QUARTERLY REVIEW OF BRITISH COMMONWEALTH AFFAIRS

	PAGE
Disengagement	103
The American and the World	107
The Road to Convertibility	118
Middle East Defence	130
Public Loss or Private Profit	138
America's Long Pull	143
A Nascent Dominion	149
United Kingdom: Sir Winston's Triumph	156
Ireland: The Gun in Politics	164
India: Immunity by Dissociation	170
Pakistan: Setting the New Course	175
Canada: Trends in External Policy	179
South Africa: Mr. Strijdom Takes Over	187
Australia: Conflict in the Labour Party	191
New Zealand: The General Election	198
East Africa: Constitutions and Civil War	204

No. 178

March 1955

Price 7/6

By Air Mail 10/-

London: THE ROUND TABLE, LTD.

DISENGAGEMENT

SORTING OUT IN THE FAR EAST

AS these pages are written the evacuation of the Tachen Islands has been successfully completed, under cover of the American Seventh Fleet; and the flag of Communist China has been hoisted over the abandoned Nationalist positions. The delicate operation has been carried out without touching off the accumulated high explosives of the Far East, which hold the continuing menace of a general conflagration. No settlement of any point in dispute is implied; for the Quemoy and Matsu groups, as closely related as Tachen to the Chinese mainland, are in the same juridical position and the United States apparently supports the Nationalist refusal to relinquish them. Until these islands also are united to metropolitan China, of which they are indisputably a part, the withdrawal from the Tachens has no more than a tactical significance. Nevertheless, it is a step towards disengagement. Over a certain area of the conflict a greater distance has been placed between the contending Chinese forces. A little more has been done towards sorting out the complex entanglements of the Far Eastern world. This process of sorting out, whether of Communist and anti-Communist elements or of the territory they control, is, so far as it goes, to the interest of the British Commonwealth. The South East Asian Treaty Organization has done a good deal of the sorting. A frontier corresponding to the "iron curtain" in Europe is being drawn between two worlds—mainly, and in the Formosa Straits wholly, by the United States. The prospect of breaking down the curtain is as remote in Asia as in Europe. The question for the members of the Commonwealth is whether they can be satisfied with the American line of partition, and in particular with the part of it that runs between continental China and Formosa, with its dependent archipelago of the Pescadores.

Mr. Attlee has described American support of the Nationalists as intervention in a Chinese civil war. This is no doubt a fair description of the immediate course of the struggle, but it will be overwhelmingly repudiated by public opinion in the United States, because it ignores the historical process out of which the present situation has come. To most Americans their forces, in protecting Chiang Kai-shek, are merely maintaining fidelity to the ally with whom they have been leagued from the morrow of Pearl Harbour thirteen years ago. They cannot throw him over: the national honour is involved. This sentiment, perhaps, may fade in a generation. But meanwhile the strategic pattern is becoming crystallized, and may well outlast the popular emotions which to-day are doing so much to mould policies. The United States, it seems, plans to contain Asiatic Communism by holding, or extending its strategic wing over, a chain of strong posts—South Korea, Japan, Formosa, the Philippines. The system is to be buttressed on the south by the co-operation of the S.E.A.T.O. Powers; and, continued away to the west through the Turco-Pakistani Pact, links up eventually with the plans to hold the European front. What is plainly contemplated is the definition of a

place for Formosa in the anti-communist system of states, designed to last as long as the estrangement of East and West makes the system itself necessary. The recent renewed offensive of the Chinese Communists is an attempt to forestall the crystallization of the system before the detachment of the island from the rest of China becomes internationally recognized.

After the Security Council's failure, on the initiative of New Zealand, to bring the Chinese Communists into a conference that would include their Nationalist adversaries, it would seem that opinion throughout the British Commonwealth is broadly acquiescent in the line of partition that the United States is drawing. The particular segment of the line that runs through the Formosa Strait is another matter. The S.E.A.T.O Conference at Bangkok, meeting on the morrow of the Tachen evacuation, must have been much concerned with its further adjustment, but could not have been expected to be definite on the subject in its published declaration. Sir Anthony Eden and Mr. Dulles have had a further opportunity of collating British and American policy in the light of the most recent tactical developments; but the news so far received from Bangkok does not suggest they have come much nearer to agreement.

On the broad issue of support for the United States in the Far East, the principal doubts are raised by the Labour Party in Great Britain, or by some important members of it, for it cannot be said that the party has yet spoken on the issue with a united voice. Australian Labour, it may be observed, has less difficulty in reconciling itself to American policy. Wherever in the free world that policy is challenged, the questions raised are two: whether it is genuinely defensive, and whether it can be morally justified. The test case for both is the maintenance of the Nationalists in Formosa.

On this issue any one of three attitudes, each consistent with itself, may be adopted. Undoubtedly some people by no means sympathetic to Communism have been intellectually convinced by the Communist argument—which is simply that Formosa is part of China, was promised to China by the wartime allies at Cairo, and should therefore be handed over to the Government that commands allegiance in by far the largest part of Chinese territory. This position may be legitimately maintained in most of the countries of the Commonwealth (but not in New Zealand), which have recognized the Communist Government; it is necessarily rejected in the United States, which recognizes the Nationalists, nor can it have force in the United Nations so long as the Chinese seat in the Security Council is allowed to the nominee of Chiang Kai-shek.

Opposed to it is the extreme American view, that Formosa never existed as anything but a geographical expression until it was organized into a political entity by the Japanese; that it passed by right of conquest under the collective sovereignty of the victors in the Second World War; that the promise made at Cairo was not a binding treaty, requiring to be carried out irrespective of such a fundamental change as the Chinese Communist revolution; and that alternatively, if there was an enforceable commitment, it was made to Chiang Kai-shek. The distrust generally felt outside America for this attitude is not due to any fallacy in the reasoning, which is supported by

argument no less impressive than is its opposite, but to the observed fact that its advocates regard, and are perhaps logically bound to regard, Formosa not merely as Nationalist property but as the jumping-off ground for an eventual campaign to reconquer China for the free world. The retention of the offshore islands, which have no true defensive importance as long as the real security of the Formosa Straits depends on the Seventh Fleet, but keep alive the Nationalist claim to rule the mainland of which they are an appendage, underlines the chronic threat to world peace.

The Middle Way

BETWEEN these two extremes there is room for a third view. It will recognize the distinction evident to common sense, of which law as well as policy should be capable of taking account, between Formosa and the Pescadores on the one hand, and continental China with its offshore islands on the other. It will carefully refrain from prejudging questions still unsettled, whether juridical or military. Even for those Powers which have recognized the Communist Government in China, it is legally doubtful where the right to dominion over Formosa lies, and a strong case can be made out on either side. The promise made at Cairo has to be acknowledged, but its present interpretation is necessarily obscure. It was given to a Chinese Government, which still exists as a claimant for the fulfilment of the promise, but is manifestly not the effective, and in the eyes of some of those who made the promise not the rightful, Government of China. Meanwhile another Government of China has come into existence, which is in effective control of its metropolitan territory and by some but not all of the parties to the Cairo bargain is regarded as the lawful authority. It is no new thing for a great war to result in the emergence of two states where only one formerly existed, or in a further conflict—Mr. Attlee's "civil war"—between rival aspirants to restore the unity. But, while this phase continues, it is impossible to be sure of the meaning of an agreement previously contracted on the assumption that only one State exists and that the right to represent it internationally is self-evident. The situation is that known to jurists as frustration of contract, which gives rise to a difficult and doubtful branch of the law.

In these circumstances, short of a pronouncement on the question of title by a detached authority like the Hague Court—of which there is not the remotest prospect—no moral censure can be passed upon those Powers which choose to leave the legal dilemma on one side as insoluble and determine their action on grounds of expediency. Expediency—the whole strategic design which is taking shape in the western Pacific—plainly requires that Formosa shall continue to be held for the free world, just as South Korea is held. Indeed the two regions are in a somewhat similar position: both were under Japanese rule in 1941, both, it was agreed, should be differently assigned after the war; and in both the intended settlement has been frustrated by the failure, under stress of the ideological schism of the world, to hold together national entities whose unity had been taken for granted. It is difficult to understand the position of those Labour leaders who, having

accepted the *de facto* partition of Korea, object to the continued separation of Formosa from China.

On grounds of expediency then, and in a morally neutral situation, the natural course for the British Commonwealth is to support the United States in welding Formosa into its defensive chain containing Communist Asia. But both expediency and moral neutrality end when it is a question of assisting Chiang Kai-shek to hold Matsu and Quemoy. These islands belong undoubtedly to China, and to support Chiang's claim to dominion over them is to go beyond asserting his right of sovereignty over Formosa, which is arguable, and assert his right over China, on which the United Kingdom and most of its partners have already declared themselves in the opposite sense. To abet him in holding those islands as part of a military operation in foreign territory really would be intervention in the Chinese civil war. Moreover, the retention of the islands is, from the British point of view, the reverse of expedient. Consistently with the maintenance of the long-term defensive system of the free world, the interest of the Commonwealth is in establishing the widest possible belt of separation between the contending forces in the Formosa Strait. The presence of Nationalist garrisons in the islands on the continental side of the strait contributes nothing appreciable to the defence of Formosa itself, which depends upon the police action of the American fleet. It can be valued by Chiang solely for the promise it may be thought to hold of an advanced springboard for the ultimate invasion of the mainland; and as such it is a perpetual irritant to the Communists and a probable provocation to dangerous incidents.

The interest of the Commonwealth is solely in the peace of the Far East. Its members should support the United States, and even the Chinese Nationalists, in everything that makes for the strength and stability of the defensive system. At the first hint of aggressive adventure they must stop short. For the ultimate recovery of China from subjection to the Communist despotism they will continue to hope; but they must not gamble with world peace under the illusion that minds can be reconquered by the sword—or by the hydrogen bomb.

THE AMERICAN AND THE WORLD

PUBLIC OPINION IN U.S. FOREIGN POLICY

AMERICAN public opinion with respect to the international situation is slowly undergoing a change which ultimately ought to bring the United States and its British allies somewhat closer together in outlook. This change does not yet always appear on the surface. The end of actual fighting in Korea and Indo-China and the apparently more conciliatory attitude of the post-Stalinist régime in Russia* are responsible for the gradual shift in American opinion. It is generally felt that this subtle shift, beginning with the peace in Korea, came to be perceptible about the time of the Geneva settlement and the visit of Sir Winston Churchill to Washington last July.

The basic American stereotype about foreign affairs largely remains. That stereotype has it that every expansion of Communism anywhere in the world is necessarily an expansion of Russian power and a direct threat to the world balance of power and to American security. The stereotype has been altered somewhat by the growing power of Red China, and now there is some confusion as to whether Communist gains in Asia represent an expansion of Russian or Chinese power. This confusion ultimately will have the effect of weakening the stereotype. However, Americans continue largely to think of any Communist expansion as primarily a species of external imperialism. Communist expansion is still conceived as a repetition of the Hitlerian expansion and any "yielding" in negotiations as "appeasement" and "another Munich". These terms were used by about nine newspaper editorials out of ten which dealt with the Geneva settlement of the past summer. However, today some doubts begin to appear here and there even in the provincial press, and there is some disposition to think of the international situation as in fact more complicated and flexible.

Because the Americans had reduced the international situation to over-simple terms of black and white, there was a disposition abroad to believe the Americans were psychologically ready for war. This appeared the logical outcome of the stereotype most Americans have had in their heads about the international situation, but paradoxically it was and is untrue. The Americans do not want a big war. They do not want any little wars. The China lobby, the imperialists, the advocates of go-it-alone action in Asia may have wanted war, but these elements have not had the support of the country. The very fact that the extremists in Asian policy are increasingly lumped together as representing "Knowlandism" shows that they are being isolated and reduced in influence. Whenever Americans label something an "ism" (except Americanism), we may be sure that that something is on the way out. Knowlandism is not yet disintegrating to the degree that McCarthyism is, but both Knowlandites and McCarthyites may be on the way to the same kind of slow and

* This article was received before Mr. Malenkov was succeeded by Marshal Bulganin at the head of the Soviet administration.—*Editor.*

steady elimination that isolationists like Wheeler, Nye, Reynolds and Fish suffered in the early 1940's.

The Eisenhower administration has been shrewd. It has been particularly careful not to disturb the American stereotype about the international situation. It has not given the country the real reasons why British leadership feels that the time has come to "feel out" peaceful coexistence. (And this lack of clarity and candour could prove embarrassing to the administration at some later date.) But the general statements of the Eisenhower administration have been increasingly reassuring. They have done much to relax domestic tensions about the foreign situation. And in its concrete actions the administration more often than not has been on the side of Allied co-operation. The extremists have not been shrilly denounced. Instead, they have been "boxed" by a series of clever manoeuvres which turned the investigators into the investigated and put the reactionaries on the defensive. The immense personal prestige of the President, which remains largely undiminished, and the fact that he is a Republican have allowed him to pursue a moderate course with less suspicion of "pro-Communism" than would have been the case had a Democrat continued in the White House.

The peace in Korea was popular. The Geneva settlement, in preventing possible American intervention in another "little war", was also popular, in spite of the newspaper headlines and editorials which characterized it as "appeasement". During the fall congressional campaign the Republicans made much of their programme of "peace". However, they shied away from the term "peaceful coexistence". The Republican politicians at the grass roots even now are preparing to wage the presidential campaign of 1956 on the issue of "peace". These politicians are busy building a popular folklore to the effect that Democratic national administrations invariably bring war, that Republican administrations bring peace. There is no mistaking the tremendous appeal this will have, especially if Eisenhower is the Republican candidate for re-election. This correspondent, having recently toured forty states of the Union, knows from first-hand observation just how popular this approach is likely to be. An incident like the following is typical. A farm woman of Texas said: "I have always been a Democrat, and I certainly ought to be a Democrat now, with farm prices as low as they are. Why, the price of beef is an insult to the cow! But I would rather have low prices and peace than high prices and war. Therefore I am for Ike." The linking of Republicans and peace may prove as effective a strategy for the Republicans as the linking of Democrats and prosperity for nearly twenty years was for the Democrats.

All of this does not mean that the Americans are returning to isolation, for they are not. They will honour their international commitments. They would follow an international-minded president into war, if their leaders assured them it was necessary to defend American security and to honour American obligations. But what does appear to be happening is that the Americans are viewing the actual situation less extremely and are slowly developing more moderate and balanced judgments about foreign affairs. Still, the stereotype of a solid international front of Communist countries

upsetting the balance of power persists, but it persists less firmly and with more doubts. In part this is because of the greater sense of security that has come with the rearmament of the United States and the West.

There is some evidence that American opinion is just beginning to think of the Russian Revolution in terms of an historical modification. Until now, Americans have regarded the Soviet system as unalterably revolutionary and totalitarian. They have not thought of it as possibly developing in the direction of greater flexibility and liberalization. This is not surprising, for the American habit of thought in politics is largely eighteenth-century rationalism: institutions are made rather than developed; constitutions and systems are "struck off by the mind of man" rather than the products of historical growth. Americans at large boast of the work of their Henry Fords and other industrial giants, of their marvellous mass-production, of their huge enterprises, of their super-corporations; but they still do not understand or admit that this has in fact resulted in a different social order in the United States from that existing at the turn of the century, that free enterprise in the United States has yielded in numerous ways to business collectivism, managed economies, controlled capitalism, and the Welfare State. Slow to see and reluctant to admit the evolution of their own system, Americans are still slower to see evolutionary changes in other systems. However, even provincial newspapers here and there are now suggesting that the post-Stalinist régime in Russia may represent a coming to power of a new kind of generation, a generation of middle-class technicians, engineers, and managers, a reflection of Russia's four decades of feverish industrialization and urbanization, an indication of some liberal modification of Russia's monolithic society.

Two books by former members of the Policy Planning Staff of the United States Department of State—*The Realities of American Foreign Policy* by George F. Kennan and *The Limits of American Foreign Policy* by George Burton Marshall—are currently having a wide reading in the United States. Both books suggest that Russian society may be on the way to increased liberalization. Mr. Marshall calls this possibility "that historic transformation", and he makes it a high point of his book. Periodicals of mass circulation in the United States are beginning to take a new look at Russia and the Russians of 1955. *Life* magazine, in two issues recently, ran long articles on Russian life, lavishly illustrated with pictures of Russians of all conditions at work and play. The photographs were not slanted; they pictured the Russians as normal and even appealing human beings. This sort of thing simply would not have occurred in any magazine of mass circulation in the United States even so short a time as a year ago. In brief, the Americans are beginning to take a less irrational view of their chief rivals in world politics.

German Rearmament

THERE is almost no fear among the mass of Americans of a revived, reunited, and rearmed Germany. In government circles the rearmament of Germany is thought of as a calculated risk. There is considerable opposition among the Jewish population. But Americans in general like the Ger-

mans. Americans were never the direct victims of German aggression; their country was not invaded; no German bombs fell on the American homeland. Their dominant relation to the Germans has been that of conqueror to the conquered, and Germans know well how to play up to their conquerors, particularly the most powerful of their conquerors. The millions of American doughboys of 1917-19 and the millions of GI's of 1942-55 who saw service in Europe felt in the main more at home in Germany than in any other foreign country. Americans tend to equate civilization with cleanliness, and they admire machinery and technological efficiency. German recovery and the new West Germany have had a tremendous build-up in the American press. When Americans are told that a revived (and particularly a reunited) Germany probably means in the future less polarization of power and a return to a multiple balance of power, they do not see the implications of this. They take for granted that the Germans will always be on the American side, and they seldom visualize a reunited Germany playing a neutralist rôle, playing West against East and East against West. They minimize the terror felt of Germany by both France and Russia, and they fail to see how this common fear might bring again some of Western Europe and Eastern Europe into co-operation against Germany. Since Americans minimize the dangers and risks of a revived and rearmed Germany, they have done scarcely any thinking or planning on how additional American policy and power may be needed in the future to balance effectively a fully revived and rearmed Germany seeking even greater integration with the West; or a fully revived, reunited, and rearmed Germany seeking to play an independent and a neutralist rôle. Americans are reluctant even to discuss their greater economic integration with Western Europe, and they are not now prepared to make larger and more definite military commitments covering future contingencies.

Americans are slow to see any evidence of a weakening of the polarization of power, of a return to a multiple or more flexible balance of power. As has just been stated, Americans decline to see in the revival of Germany a trend towards a multiple balance of power. So it is with respect to any tendency of nationalism within Communist movements and countries to divide the international Communist front. About this Americans are very sceptical. Indeed, about this, Americans out-Marx the early Marxists in holding to the conception of a closely-knit integration of all Communist parties, movements, and countries, in complete agreement with one another, working on a supra-national level, ignoring and rising above all national cultures and conditions. To this Marxist concept (of which history seems to be disposing in a way different from that expected by the early Marxists) the Americans add another element: minute control from a single centre—Moscow. Americans are almost completely unaware of the extent to which Communism and nationalism are mixed elements everywhere, even in the most subservient Communist parties of the most subservient satellite on the border of European Russia. Americans, of course, are conscious of Titoism in Yugoslavia, but they think of Yugoslavia as the exception rather than as an extreme and early example of what is latent—and more than latent—in Communism everywhere.

Most Americans still refuse to see the Communist revolution in China as

coming out of indigenous conditions and the weakness of the middle way. They see the Chinese revolution as being imposed by Moscow and Moscow-trained accomplices. Even today Red China is thought of largely as a puppet of Russia. Americans are sceptical of using the nationalism of Communist China and specific national differences between Russia and China, such as Russian concessions in Manchuria and Liaotung, as wedges with which to pry Russia and China apart, for most Americans still refuse to recognize the tremendous national element in the Chinese revolution. Even those Americans who recognize the nationalism in the Chinese revolution, and agree that China and Russia might have been pried apart had the United States pursued a friendly course towards the Chinese Reds from the start, maintain that it is now too late to wean China from Russia, that the basis for such a course would have had to be laid by American-Chinese-Communist goodwill as far back as 1948 or 1949, that the measures and events of the past six or seven years have literally forced China into a Russian alliance, that now it is too late to alter this tremendously powerful fact.

Americans carefully nurse their own conceptions of Red China. When Mr. Attlee's series of articles recounting his personal experiences in China appeared in the American press during the early part of September, the way these were treated is significant. A few of the newspapers in the very largest cities carried the articles in full. However, most of the newspapers depended upon the press-association summaries. These summaries played up Mr. Attlee's telling the Red Chinese leaders to advise Moscow to ease Russian interference in the affairs of its European satellites. This is what Americans wanted to hear, and it was blazoned in big headlines in all of the newspapers. At the very end of the summaries of some of the press associations was a cryptic statement that Mr. Attlee saw no overt evidence of Russian pressure or control in China. Most American newspapers did not even use this; they simply cut the story at this point.

With the growth of Communism in South-East Asia, Americans have been less unanimous in finding a culprit. Few have seen these movements as largely indigenous. But a question has arisen to plague American commentators: are these movements Russian-sponsored or Chinese-sponsored? Some have declared them Russian-sponsored; most have declared them Chinese-sponsored. But if they are Chinese-sponsored, does not that imply some independence of China from Russia, possibly even some rivalry between China and Russia? This has forced a growing number of American commentators to concede that perhaps the interests of Red Russia and Red China are not in all international matters identical.

The Question of Formosa

AMERICAN opinion is not prepared for recognition of Red China. The stereotype of a solid Communist front of Russia, China, and other Communist countries is still too strong. We are still not far enough away from the Korean fighting. (Non-Americans still discount the impact of the Korean War on American opinion.) There have been too many disagreeable

"incidents" between the United States and Red China. Most important, American opinion will not at this time countenance the loss of Formosa to the Red Chinese Government. Indeed, there can be little doubt that Americans would be willing to go to war to prevent that from happening. For the Americans have come to look upon Formosa as a vital link in their defence perimeter. No American government which surrendered Formosa could long survive.

However, there is a growing opposition to ratification of the recently negotiated Formosa pact, particularly among Democrats in the Senate. Opponents point out that, for the first time in an instrument requiring Senate action, the United States formally recognizes that Formosa and the Pescadores are a part of the Republic of China. This is precisely what the United States for the past ten years has been careful not to admit. This is precisely what the Japanese peace treaty of 1951 carefully avoided. Now opponents of ratification are asking: "in order to keep Formosa free from Communist control, may we not later want to argue that the island is not necessarily part of the China that controls the mainland? If we formally recognize Formosa and the Pescadores as territories of Chiang's China, will not our friends the British, who have recognized Red China, be forced to consider these islands as territories of Mao Tse-tung's China? In recognizing them as a part of the Republic of China, are we not admitting that we are taking part in a civil war and precluding the United Nations from taking any action in the event of a Communist attack on Formosa? Do Americans want any government, Communist or non-Communist, that controls the mainland of China to control Formosa again? May not the United States at some future date want Formosa turned into a United Nations strategic-area trusteeship, to be governed as an integral part of the United States, as the Marshalls, Carolines, and Marianas are today, and would not the Formosa pact tie American hands and prevent some such ultimate disposal of the territory?" Many Americans now favour shelving the Formosa pact and getting behind a line of action suggested by the American Association for the United Nations, which recommends that the United States should join in sponsoring or supporting a proposal that the United Nations, without regard to the question of recognition, as to which its members are presently divided, should at once call upon both the authorities now in control of the government on Formosa and the authorities now in control of the government on the mainland of China to cease the use of armed force against each other in this area in the interest of world peace. These arguments seem to be gaining ground, and the fate of the Formosa pact in the United States Senate is now in some doubt.

The admission of Red China into the United Nations stands in a somewhat different category from recognition of Red China by the United States. With time, American opposition to Red China's entrance into the United Nations is likely to diminish in intensity, and then it will be easier for the nations which favour Red China's admission to go ahead and admit her if they have the votes. Even with Red China a member of the United Nations, Americans feel they could out-manceuvre any Red-Chinese-sponsored move to brand the United States an aggressor in Formosa. However, they prefer

not to have to face this and other unpleasantnesses which would result from Red China's admission to the United Nations.

In the light of the American attitude towards Red China, what can be done to alleviate the situation with respect to Red China's relations with the non-Communist world can best be done tacitly and informally. The United States cannot very well attend a Far Eastern conference designed to make a grand settlement of all the issues in conflict, because the United States is not prepared to recognize Red China or to surrender Formosa to the Red Chinese Government. But a *modus vivendi* is possible. Increasingly it is clear that American opinion will not follow the Knowlandites; Americans are not going to provoke a war to overthrow the Red Chinese or to extend Chiang's government to the mainland. The Formosa pact, the official interpretations put upon that pact, the decision to evacuate the Nationalists from the Tachens and other off-shore islands, and other evidence show the determination of the administration to hold Chiang in leash and to avoid a war with Red China. The way is open for the development of more and more trade between Red China and the non-Communist world. Indeed, the Americans, in their concern for the Japanese economy, would like to see increased trade between Japan and Red China. In brief, Americans believe that some things cannot at this time be negotiated, and that many things that will make for peaceful living together do not need to be negotiated anyway.

Some Americans are coming to believe that Red China itself may not want a *modus vivendi*, that Red China may feel she has more to gain if the situation is kept fluid with respect to Formosa, Korea, Japan and South-East Asia than if it is stabilized, and that besides a failure to stabilize will be blamed by Asiatics on American "intransigence" and hence will contribute, from the Chinese point of view, to the frustration and isolation of American policy in the Far East. It has scarcely yet dawned on even some international-minded Americans what opportunities will be afforded Red China to use the forthcoming conference of the Colombo Powers at Bandung to discredit American influence in Asia. Those Americans who do understand the seriousness of the situation are urging the United States to encourage its Asiatic and African allies to attend the conference, so that the world will not be or appear to be split between the so-called imperialist and anti-imperialist Powers.

Americans learned much from the Manila Conference, which resulted in the establishment of the South Eastern Asia Treaty Organization. They were surprised that the response to their urgings should have been so feeble an organization. They had hoped for something stronger. Since the treaty excluded from the scope of its protection Formosa and Chiang's Nationalists, South Korea, and Japan, Americans were made to reconsider their own position in these areas. Since India, Burma, Ceylon and Indonesia refused to participate, Americans were made to evaluate the attitudes of these nations with massive Asiatic populations and to think more earnestly about how they could get their approval. The very support of the Philippines and Thailand, in the absence of support from India and Indonesia, caused much comment, and Americans were somewhat embarrassed by the accusations that they were maintaining "puppet governments" in Manila and Bangkok. Manila

also made Americans think harder about the nature of aggression in the contemporary world. The United States' allies seemed reluctant to single out Communist aggression alone, and none of them was willing to do anything but "consult" and to "act in accordance with its constitutional processes" in the event of aggression. Americans began to see that the most significant and dangerous kind of aggression seemed to be not external but internal aggression, that is subversion—and how did one go about checking subversion in this day of non-intervention by the Great Powers in the affairs of the weaker Powers?

Revolutions in South-East Asia

ONLY at this late date are Americans coming to see that new and weak states like South Viet Nam, Cambodia, Thailand and Burma are threatened not by orthodox invasion and conquest but with subversion and internal revolution. As late as the war in North Viet Nam, Americans, even responsible American officials, were insisting that the war was largely an external aggression inspired by Red China. The truth at last is beginning to come home even to ordinary Americans that such was not the case, that the Indo-Chinese revolution was largely indigenous and internal. How deal with a similar situation in South Viet Nam, Cambodia, Laos, Thailand, and Burma, the Americans are now asking. Some Americans favour using atomic weapons against internal rebels. Others favour military intervention with ground forces, and these are alarmed by the President's recent decision, overruling the Joint Chiefs of Staff, to reduce by 380,000 the number of Americans under arms. These Americans fear that if American ground forces are cut too drastically, Americans cannot intervene in the trouble spots of South-Eastern Asia, that the Americans will not be able to employ force moderately and locally, that there will be nothing between a policy of non-resistance and a policy of atomic annihilation. But a few sensible voices are now being raised pointing out that in South-East Asia the United States and its allies cannot effectively intervene by using either atomic weapons or old-fashioned ground forces, that such intervention would not be fighting external aggression, as in Korea, but internal revolution, and that such intervention would itself constitute an external aggression against sovereign states, which is outlawed in principle by the Charter of the United Nations and outlawed in common sense by the massive popular opposition everywhere in Asia to any kind of military intervention in native sovereign states. But if Western military intervention is likely to do more mischief than good to the Western cause, Americans are now asking just what can be done in Asia? How can Asiatics themselves be brought to resist, to fight Communism? How can the spiritual leader of much of the New Asia—India—be brought to feel a comradeship of common purposes with the Western States, so that measures designed to check Communism have India's support and are not branded as just another form of Western imperialism? It has taken the Korean War, the defeat in North Viet Nam, the Manila Conference, and the discouraging situation existing in South Viet Nam today to bring these questions home to Americans. Americans have taken a long time to realize the Asiatic complexities, and the

American preoccupation since 1950 with military considerations makes a sensible Asiatic policy that will be backed by American opinion difficult to formulate and pursue.

One cognizant of both world and American opinion is likely to come to this conclusion: the greatest need of Americans today is to understand and meet the challenge of the anti-imperialist revolutions. It is the American failure to understand these revolutions which more than anything else is preventing a constructive programme of peace and social politics to counter the further spread of Communism to the underdeveloped and uncommitted peoples.

It would appear that of all peoples the Americans should understand the anti-imperialistic revolutions best. The United States has a long record of opposition to colonialism. During the nineteenth century, liberal revolutions were welcomed and encouraged by the Americans. The American press has done an excellent job of reporting spot news events of developments in Asia, Africa and Latin America. What Americans too often miss is the inner meaning of these events.

Americans understand fairly well the political nationalism implicit in these revolutions, except when these revolutions are also Communist. When they are also Communist, Americans are likely to think of them not as honestly indigenous but as the mere puppets of external Communist imperialism. In Indo-China, where events and Western stupidity gave the Communists a monopoly of the nationalist cause, Ho Chi Minh is still often thought of in America as a mere Chinese puppet. However, even in non-Communist countries, Americans do not always understand the force of the new nationalism. When they retired, the Americans insisted on maintaining numerous concessions in the Philippines for the American Government and for American nationals. The penetration of American influence into Thailand does not seem to Americans to be any infringement of Thai nationalism. Americans often say: "colonialism is bad, but Communist satellitism is worse. Do not the Asiatics see that?"

Economic Forces

HOWEVER, it is on the social side that Americans most seriously mis-conceive the anti-imperialist revolutions. Americans fail to see why all these revolutions necessarily contain elements of indigenous collectivism. They do not see the reasons for the tendency of anti-imperialist revolutions to merge with Communist revolutions, as they actually did in China and North Viet Nam. When told that backward countries want to develop from unbalanced raw-material economies to balanced economies and to move from primitive agrarianism to modern mechanization and industrialization within a generation or so, and that because of a lack of capital and of native capital-supplying classes in any proportions they must use some of the collectivist devices of government to make a beginning towards accomplishing these ends, Americans say: "But we have the most capital and the best technology and mass production and the highest standard of living in the world, and we came to all this under free enterprise—why cannot they?" Americans are not

also made Americans think harder about the nature of aggression in the contemporary world. The United States' allies seemed reluctant to single out Communist aggression alone, and none of them was willing to do anything but "consult" and to "act in accordance with its constitutional processes" in the event of aggression. Americans began to see that the most significant and dangerous kind of aggression seemed to be not external but internal aggression, that is subversion—and how did one go about checking subversion in this day of non-intervention by the Great Powers in the affairs of the weaker Powers?

Revolutions in South-East Asia

ONLY at this late date are Americans coming to see that new and weak states like South Viet Nam, Cambodia, Thailand and Burma are threatened not by orthodox invasion and conquest but with subversion and internal revolution. As late as the war in North Viet Nam, Americans, even responsible American officials, were insisting that the war was largely an external aggression inspired by Red China. The truth at last is beginning to come home even to ordinary Americans that such was not the case, that the Indo-Chinese revolution was largely indigenous and internal. How deal with a similar situation in South Viet Nam, Cambodia, Laos, Thailand, and Burma, the Americans are now asking. Some Americans favour using atomic weapons against internal rebels. Others favour military intervention with ground forces, and these are alarmed by the President's recent decision, overruling the Joint Chiefs of Staff, to reduce by 380,000 the number of Americans under arms. These Americans fear that if American ground forces are cut too drastically, Americans cannot intervene in the trouble spots of South-Eastern Asia, that the Americans will not be able to employ force moderately and locally, that there will be nothing between a policy of non-resistance and a policy of atomic annihilation. But a few sensible voices are now being raised pointing out that in South-East Asia the United States and its allies cannot effectively intervene by using either atomic weapons or old-fashioned ground forces, that such intervention would not be fighting external aggression, as in Korea, but internal revolution, and that such intervention would itself constitute an external aggression against sovereign states, which is outlawed in principle by the Charter of the United Nations and outlawed in common sense by the massive popular opposition everywhere in Asia to any kind of military intervention in native sovereign states. But if Western military intervention is likely to do more mischief than good to the Western cause, Americans are now asking just what can be done in Asia? How can Asiatics themselves be brought to resist, to fight Communism? How can the spiritual leader of much of the New Asia—India—be brought to feel a comradeship of common purposes with the Western States, so that measures designed to check Communism have India's support and are not branded as just another form of Western imperialism? It has taken the Korean War, the defeat in North Viet Nam, the Manila Conference, and the discouraging situation existing in South Viet Nam today to bring these questions home to Americans. Americans have taken a long time to realize the Asiatic complexities, and the

American preoccupation since 1950 with military considerations makes a sensible Asiatic policy that will be backed by American opinion difficult to formulate and pursue.

One cognizant of both world and American opinion is likely to come to this conclusion: the greatest need of Americans today is to understand and meet the challenge of the anti-imperialist revolutions. It is the American failure to understand these revolutions which more than anything else is preventing a constructive programme of peace and social politics to counter the further spread of Communism to the underdeveloped and uncommitted peoples.

It would appear that of all peoples the Americans should understand the anti-imperialistic revolutions best. The United States has a long record of opposition to colonialism. During the nineteenth century, liberal revolutions were welcomed and encouraged by the Americans. The American press has done an excellent job of reporting spot news events of developments in Asia, Africa and Latin America. What Americans too often miss is the inner meaning of these events.

Americans understand fairly well the political nationalism implicit in these revolutions, except when these revolutions are also Communist. When they are also Communist, Americans are likely to think of them not as honestly indigenous but as the mere puppets of external Communist imperialism. In Indo-China, where events and Western stupidity gave the Communists a monopoly of the nationalist cause, Ho Chi Minh is still often thought of in America as a mere Chinese puppet. However, even in non-Communist countries, Americans do not always understand the force of the new nationalism. When they retired, the Americans insisted on maintaining numerous concessions in the Philippines for the American Government and for American nationals. The penetration of American influence into Thailand does not seem to Americans to be any infringement of Thai nationalism. Americans often say: "colonialism is bad, but Communist satellitism is worse. Do not the Asiatics see that?"

Economic Forces

HOWEVER, it is on the social side that Americans most seriously misconceive the anti-imperialist revolutions. Americans fail to see why all these revolutions necessarily contain elements of indigenous collectivism. They do not see the reasons for the tendency of anti-imperialist revolutions to merge with Communist revolutions, as they actually did in China and North Viet Nam. When told that backward countries want to develop from unbalanced raw-material economies to balanced economies and to move from primitive agrarianism to modern mechanization and industrialization within a generation or so, and that because of a lack of capital and of native capital-supplying classes in any proportions they must use some of the collectivist devices of government to make a beginning towards accomplishing these ends, Americans say: "But we have the most capital and the best technology and mass production and the highest standard of living in the world, and we came to all this under free enterprise—why cannot they?" Americans are not

convinced when told that the historical and social conditions which made free enterprise so successful in North America cannot be duplicated in Asia. Many Americans still refuse to see the decisive distinction between the moderate social-democratic programme of Nehru's India and the totalitarianism of the Communists. Even when they understand the indigenous collectivism of the anti-imperialist revolutions, Americans are reluctant to lend help to projects of the new native governments lest they betray free enterprise. Even Truman's Point Four programme, which was always niggardly and spread thinly over Asia, Africa and Latin America, emphasized only technical assistance and shied away from the infinitely more important capital-development programmes. This was an important difference between the American Point Four programme and the Colombo programme of the British Commonwealth.

The most enlightened leaders of both the Democratic and Republican parties recognize the importance of large economic aid programmes for non-Communist Asia, programmes which contemplate grants and long-term loans to native governments for capital development. The most international-minded group in the Eisenhower administration would like to see a comprehensive Marshall Plan for Asia. But the atmosphere in the United States has changed since 1947 and 1948. At that time the United States was faced with the economic collapse of the Western world. The problems of Asia, even today, do not seem equally compelling. Besides, since 1950 Americans have been thinking almost exclusively in military terms, and only now is the atmosphere beginning to clear enough to allow any significant thinking about non-military measures. As Americans move farther away from the Korean and Indo-Chinese wars, they are beginning to think again in non-military terms and will have more money for non-military measures, but more time will be required. Eisenhower administration "feelers" with respect to a comprehensive aid programme for Asia have met a chilling congressional reception. The Eisenhower administration must depend upon Democratic support to carry its international-minded measures. These can be passed only by a coalition of Eisenhower Republicans and Democrats. But the Southern Democrats in Congress, through Senator Richard B. Russell, let it be known that they are not prepared to vote a comprehensive economic aid programme for Asia. Congress is still putting domestic economy ahead of international aid programmes. Following Russell's announcement, the Eisenhower administration's large-scale economic aid programme for Asia seems to have been discarded, at least for the time being. Undoubtedly congressional opposition reflects public sentiment today, which is putting a conservative stabilization of the American economy ahead of international considerations. Congress seems to be in a mood to continue the technical assistance programme and to lend military and economic aid to the South-Viet-Nam-Cambodia-Thailand area, but currently it is resisting anything more ambitious and may cut military aid generally.

Americans have had a tradition of sympathy for the underdog. It would seem that in line with that tradition Americans would feel kindly toward programmes which have as their aims the alleviation of widespread human

misery. However, in addition to a distaste for collectivism, even moderate collectivism, Americans have been attempting to curb their penchant for moral uplift in international relations. They have been told often and from many quarters in recent years that their tendency to moral crusades in international politics is dangerous business. Americans are attempting to "grow up", to substitute cold-blooded analysis and manoeuvre for impulsive unrealism. Currently both the Kennan and Marshall books are counselling Americans to be restrained, to put checks on their reforming tendencies. The truth is that the Americans may be going so far towards "realism" as in fact to be unrealistic. After all, the periods of America's greatest influence in world affairs were when American Presidents, like Wilson and Roosevelt, spoke for the aspirations of ordinary men in all parts of the world. Moreover, it is one thing to crusade for impossible aims like world government or world democracy; it is quite another thing to crusade for aims already within the logic of history. Certainly the anti-imperialist revolutions are well within the logic of history; indeed they are in fact already well into history.

All this is to suggest the enormous difficulties which still stand in the way of constructive American policies, prepared to check the spread of Communism and to give the uncommitted and even sceptical Asiatic masses faith in the understanding and wisdom of the West. If given a long enough period of time free from shooting wars, some of these difficulties will thaw—as indeed they are already beginning to do.

The President's recent Formosa message to Congress was designed to placate some segments of American opinion which had opposed the withdrawal from the Tachens and other off-shore islands and to stabilize the situation generally. It may correctly be viewed as a part of the developing United States policy aimed at a cease-fire in the area and the coexistence of the Peking and Formosa governments. However, the Peking Government may not wish stabilization, and the possibility of inflaming incidents in the Formosa Straits cannot be discounted. Moreover, American opinion, which has been relaxing, may have been further aroused by the President's message and the flare-up of danger in the Formosa Straits. The tendency towards the relaxing of American tensions, emphasized in this article, may be arrested and reversed, in which case we may be back to the intransigence of the Korean War days. However, the chances are the crisis will pass and tensions will continue to relax, with consequent opportunities for further inter-allied accommodations and constructive programmes attractive to the uncommitted peoples.

THE ROAD TO CONVERTIBILITY

LESSONS FROM THE PAST

THIS is an age which lays claim in economic matters to a wisdom denied to its predecessors. Like the Homeric heroes we boast that we are far better than our fathers. As a certain measure of monetary confusion seems to be the sequel of any major war, it is worth while to consider how the problems bequeathed by the Napoleonic Wars and the First World War were approached. The cardinal issue is that of the importance attached to the restoration of the free convertibility of the pound. Unless one can form a clear view on this issue and judge whether our predecessors were right or wrong, it is not possible to appraise the virtue or the harm of measures taken with the purpose of reaching the objective.

It so happens that leading documents are available in regard to the depreciation of sterling associated with both the Napoleonic Wars and the First World War.

Though the war against Napoleon was still raging in 1809 and though currency depreciation had never up to that date exceeded 14 per cent—a mere trifle judged by twentieth-century standards—parliamentary opinion was greatly exercised on the subject. The well-known Bullion Committee was established, and reported in 1810 after taking evidence from the Bank of England and other authorities. Its comments on the monetary disease of the time, its diagnosis of the cause and the prescription of the remedy, may be given in some extracts from the report of the committee:

It would be superfluous to point out in detail the disadvantages which must result to the country from any such excess of currency as lowers its relative value. The effect of such an augmentation of prices upon all monetary transactions for time; the unavoidable injury suffered by annuitants, and by creditors of every description, both private and public, the unintended advantage gained by Government and all other debtors; are consequences too obvious to require proof and too repugnant to justice to be left without remedy. By far the most important part of this effect appears to your Committee to be that which is communicated to the wages of common country labour, the rate of which, it is well known, adapts itself more slowly to the changes which happen in the value of money than the price of any other species of labour or commodity.

All this applies to the long period of inflation from which this country has suffered. But stress may be laid on the concluding sentence which shows that the Committee of 1810 were very much alive to the interests of the agricultural labourer, who in the days preceding the Industrial Revolution typified what would today be represented by the urban industrial worker. It was not necessary to wait for the best part of a century and a half before the importance of monetary stability to the wage-earner was recognized, even if it is still inadequately appreciated today.

Returning to the Bullion Committee:

Your Committee are of the opinion that no safe, certain and consequently

adequate protection against an excess of paper currency, either occasional or permanent, can be found except in the convertibility of all such paper into specie.

and again :

A return to the ordinary system of Banking is, on the very ground of the late extravagant fall of the exchanges and high price of gold, peculiarly requisite. That alone can effectually restore general confidence in the value of the circulating medium of the Kingdom; and the serious expectation of this event must enforce a preparatory reduction of the quantity of paper, and all other measures which accord with the true principles of Banking.

At the time when the Committee were writing, the development of bank credit as the predominant factor of the circulation was yet to come and attention was naturally focused on the note circulation. The reader of the report will be arrested by the importance attached to the convertibility of all such "paper". In those days the only convertibility of which the age had experience was convertibility "into specie". In the monetary parlance of today we might substitute convertibility into dollars, but it is certain enough that a convertibility limited to sectional balances, for example those held by non-residents, would not have been regarded as convertibility in any real sense. It is worth observing that when between 1816 and 1819 the Bank tried a policy of partial resumption, based on the date of issue of notes, the results were unsatisfactory. In 1819 committees were appointed by both Lords and Commons to consider the whole question. Both committees very promptly reported against the partial resumption attempted by the Bank and the scheme was stopped. By 1821 the circulation was 19 per cent less than it had been at the highest point in 1817 and the gold reserve was £8½ million above the low point of August 1819. Full convertibility was resumed on May 1, 1821.

Undoubtedly conditions today differ in many noteworthy respects from those prevailing in the early part of last century. Nevertheless there are some points made by the Bullion Committee which contain permanently applicable doctrines, though these have not always been observed either here or elsewhere in recent years. It is therefore well to note the views of the Committee:

- (1) that "a general rise of all prices . . . will be the effect of an excessive quantity of the circulating medium in a country which has adopted a currency not exportable to other countries or not convertible at will into a coin which is exportable";
- (2) that a reduction of the circulation (or in modern parlance a contraction of credit) is the necessary preliminary to the elimination of inflation;
- (3) that full currency convertibility is the only "safe, certain and consequently adequate provision against an excess of paper currency (or, as we should say, credit) either occasional or permanent";
- (4) that the elimination of inflation, exhibited in a general rise of prices, is not only an act of justice required for the protection of holders of fixed money claims such as annuitants or bondholders but is of vital consequence to the ordinary wage-earner.

In the light of the knowledge of monetary theory available at the time the Report of the Bullion Committee was revolutionary. Its main thesis was at first hotly resisted by the Bank of England, though later the Bank accepted it fully and acted upon it. The principles laid down by the Bullion Committee became the basis of credit control by the Bank of Issue here, and by those on the Continent, in the United States and in all countries where Central Banks have been created. The surprising fact is that these principles were so long and so widely ignored during the recent prolonged period of post-war inflation.

The Cunliffe Committee of 1918

SO much for the Bullion Committee and its lessons. It so happened that about 100 years later this country was faced with very similar problems but was then in possession of an incomparably greater corpus of knowledge. Here again we have the advantage of a classical document—the Cunliffe Committee Report of August 1918.

The Committee of fourteen members included some of the most representative figures of the time in finance, economics and business. Their task was to define an appropriate currency policy for this country in the face of the inflationary conditions induced by the exigencies of war finance. While deprecating any idea of any early resumption of an internal gold circulation the Committee, it will be remembered, recommended the restoration of the gold standard at the pre-war rate of exchange, viz. £1 = \$4.86. The figure is worth recalling if only as a contrast with \$2.80, fixed after the devaluation of 1949 and as a reminder of a famous ratio which prevailed in terms of gold for the best part of a century and is only an historic memory to the majority of those engaged in commercial life today. The policy of the Cunliffe Committee was given legal effect, after a period of preparatory action, in 1925.

Seldom can a report from a body of experienced men have had such an unhappy record. We are not concerned here to examine the reasons for the failure of the Committee's policy, finally confessed in 1931 by the breakdown of the standard and the suspension of convertibility which has endured to this day. It is easy to criticize errors of judgment in the light of after events, but in the middle twenties it was difficult to foresee the world-wide fall in prices or the depth and far-reaching consequences of the American depression which developed from 1929. It turned out that the whole operation was premature and the rate was unsuitable. For our present purpose we must be concerned not with the disappointed hopes of the Cunliffe Committee but with the arguments that transcend the unfortunate conjuncture of events attending the introduction of their proposals. These left a prejudice against the very idea of convertibility, long associated in the popular and uninstructed mind with the unemployment and industrial depression of the period following the First World War. With experience of the 1946-51 inflation and the often avowed intention of the Government to work towards a situation in which the pound sterling will again be and will be kept convertible, the mists of confused thinking are gradually clearing and it is becoming possible for public opinion to distinguish between what may be

called the accidents of the inter-war period and the essential doctrines which the Cunliffe Committee enunciated.

The Committee of 1918 had the same general outlook as their predecessors of 1810. They held that it was imperative to restore "conditions necessary to the maintenance of an effective gold standard" so as to avoid handicap to industry, detriment to our position as an international financial centre and our general commercial status. Both committees recognized that the root of the inflation, prevalent at the end of a great and exhausting war, lay in over-issue, that is, in the redundancy of currency and credit, and their disaccord with the standard of value that it was desired to establish. Hence the Cunliffe Committee set forth proposals for contracting the excess circulation and emphasized the importance of reducing the floating debt by the creation of adequate sinking funds from revenue. Capital was to be derived from genuine savings. For their policy of monetary contraction the Committee laid stress on the cardinal rôle of the Bank of England discount rate.

To maintain the connexion between a gold drain and a rise in the rate of discount is essential to the safety of the reserves. [Then follows a significant comment.] When the exchanges are adverse and gold is being drawn away, it is essential that the rate of discount in this country should be raised relatively to the rates ruling in other countries. Whether this will actually be necessary immediately after the war depends on whether prices in this country are then substantially higher than gold prices throughout the world. It seems probable that at present they are on the whole higher, but, if credit expansion elsewhere continues to be rapid, it is possible that this may eventually not be so.

As the objective of the Committee was the preservation of the old parity of the pound in terms of gold, it is natural enough that the problem of maintaining a long-term price stability together with a fixed rate of exchange, which exercises so much thought today, did not come under discussion. The outlook of the Committee is clearly summarized in the conclusions of their report of 1918:

It is imperative that after the war the conditions necessary to the maintenance of an effective gold standard should be restored without delay. Unless the machinery which long experience has shown to be the only effective remedy for an adverse balance of trade and an undue growth of credit is once more brought into play, there will be grave danger of a progressive credit expansion which will result in a foreign drain of gold, menacing the convertibility of the note issue and so jeopardizing the international trade position of the country.

Writing a year later in their second report dated December 1919 the Committee saw no reason to modify the opinion expressed in their first report, and remarked:

We have found nothing in the experiences of the war to falsify the lessons of previous experience that the adoption of a currency not convertible at will into gold or other exportable coin is likely in practice to lead to over-issue and so to destroy the measure of exchangeable value and cause a general rise in all prices and an adverse movement in the foreign exchanges.

This review of the conclusions of the Cunliffe Committee brings out:

- (1) The importance attached to restoring full currency convertibility (for our immediate purposes we may express this in terms of dollar convertibility).
- (2) The probability that without convertibility over-expansion of credit was to be apprehended, with widespread reaction on the country's financial standing and its international trade position. This would of course extend to the position of labour and employment—indeed to the kind of situation that confronted the Chancellor of the Exchequer towards the close of 1951, when it was clear that if the rot were not arrested, people would find themselves not only idle but also hungry.
- (3) The essential rôle to be played by bank-rate policy.

Policy After the Second World War

BOTH the Bullion Committee of 1810 and the Cunliffe Committee were faced with the same problem, which would today be described as a state of inflation marked by a general rise of prices and the redundancy of currency and credit. They both recommended a policy of contraction that would restore the parity of the currency unit in terms of gold; and when this was done they assumed that convertibility would be maintained by the pursuit of an appropriate credit policy based on bank-rate. The two enquiries, though directed to the difficulties of a particular situation created by war, laid down certain principles which were deemed permanently valid. These were based on the doctrine that a currency that was not itself convertible was sooner or later bound to become the victim of over-issue and to depreciate, this depreciation bringing in its train all the evils that our generation has learnt to associate with inflation.

In 1946 the technical problem was of the same kind as in 1918, but it differed in degree. The surrounding circumstances were also different. Economically the Second World War had been much more exhausting than the First. It had entailed a much greater expansion of credit, but the significant fact is that apart from the inflation that had vented itself in the price level when the war ended, there was a large potential inflation that had not so vented itself and was bound to do so in time unless action were taken to prevent it. Such action might have accepted the war-time inflation but would have been designed to prevent its going farther. This would not have involved the measure of deflation that proved incapable of achievement and so undermined the efforts to restore convertibility in the twenties. The burden of the national debt (quoted and not quoted) of which the volume had trebled from £9,078 million in 1938 to £27,435 million in 1948 was also a factor in the case. Every rise in the price level reduced its real burden on production and sacrificed all holders of fixed money claims (including all who had responded to the appeals to save and subscribe to war loans) on the altars of the debtors, of which the State was far the largest. Britain's position as a creditor country had also changed fundamentally as the result of two devastating wars, and it was apparently thought in some quarters that the edge

of the bank-rate instrument as the formerly accepted weapon of credit control had been dulled by events. Whatever the underlying motives may have been, inflationary finance was continued after the war. It is worth mentioning that the decline in the purchasing power of the pound was not very different between 1946 and 1951 from what it had been in the years of the war. It was the first time that a policy of deliberate currency inflation was carried over in this country from the years of war into the time of peace.

It is unfortunate that no enquiry such as that of the Cunliffe Committee was made by the National Government towards the end of the Second World War and that no authoritative report exists that would show what kind of monetary policy would have commended itself in the national interest as a guide to post-war practice. Thus the opportunity was missed for defining the objectives of a policy that might have then been acceptable to all political parties and might have obviated some subsequent mistakes. The chance has not presented itself since the end of the war. One may, however, turn to the American loan agreement of 1945 for evidence as to the kind of monetary policy deemed at that time to be desirable. This postulated that, within a short period after the war, exchange restrictions on current transactions should be ended as a first step to the resumption of the obligations of multilateral trade and payments. It must be assumed (if one may apply a phrase that has been much quoted in the recent railway wage crisis) that those who devised the end, that is convertibility in respect of current transactions, had formed some ideas about the means. It seems, however, to have been thought that restrictions, controls and rationing would suffice to counteract the ordinary effects of over-easy credit and would allow the capital requirements of the State to be met without the usual consequences of inflation, namely, a general rise of prices, a weakening of the foreign exchange and drain on the reserves. These were precisely the evils that were present to the minds of the Bullion Committee of 1810 and the Cunliffe Committee of 1918. In fact they were all visited on us after 1945.

It is not proposed to analyse the errors made in early post-war years. Judgment has been pronounced on that period by the crises of 1947, the devaluation of 1949 and the threatened disaster of 1951, only averted by the exhumation of time-honoured principles, which despite the changed position of the country were shown still to possess vitality.

Developments from 1951 to 1954

NOW what were the main purposes that the new monetary policy inaugurated towards the end of 1951 (though it might with more justice have been described as the old monetary policy) was designed to serve? One may perhaps enumerate them as follows:

- (1) to bring inflation to an end;
- (2) to build up the international reserves;
- (3) to secure in due course the convertibility of the currency;
- (4) to restore the habit of saving, gravely prejudiced by the long period of inflation;

- (5) to contribute its share to the raising of production;
- (6) and so to maintain a high ratio of employment, which meant that the ending of inflation was not to have as its sequel any untoward deflation.

This last was a political desideratum of the highest importance, for memories of the deflation in the inter-war years and the heavy unemployment, only ended by the war, were bitter. The particular boast of the Labour Government had been the maintenance of what was called full employment, though no clear definition of what this implied statistically has yet been furnished.

The policies pursued during these three years have yielded in various fields encouraging results. But they demand critical examination as stages on the way to currency convertibility (No. 3 in the above list).

(1) *The international reserves*

These had risen from the lowest level (brought about by the 1951 crisis) of \$1,685 million (£602 million) on September 30, 1952, to \$2,925 million (£1,045 million) on November 30, 1954. An increase of about three quarters in two years was an achievement. But the figure fell to \$2,763 million (£980 million) at the end of January last and substantially lower than the total of \$3,867 million (£1,381 million) held on June 30, 1951, after which date the rapid wilting of the reserves occurred when \$2,182 million, that is more than 50 per cent, were lost in twelve months. If allowance is made for the receipt of substantial American aid, which is a shrinking factor, the tempo of rebuilding the losses should not be viewed with complaisance, especially since during the past two years the exchange has not been kept by consistent credit control at what one would call dollar import point. It should, however, not be forgotten that the strengthening of the reserves has gone hand in hand with a practical policy of quota abolition for both non-dollar and dollar import. As regards the wide area covered by the O.E.E.C. countries the percentage of trade to be liberated from quotas is now to be raised to 90. Furthermore, sterling liabilities to countries outside the sterling area, their least satisfactory constituent, were reduced between December 1951 and June 1954 by £248 million, though in the same period liabilities to sterling-area countries increased by about the same amount.

Prices

The monthly average of retail prices in 1952 was 136 (1951 = 125). At the end of December 1954 it was 145—an increase of something over 6 per cent. The average monthly figures for food prices in mid-1952 and at the end of 1954 were 105.4 and 116.9 respectively, an increase of 10 per cent. This corresponds closely with the increase in the weekly wage rate and the average weekly earnings for all operatives over the same period.

The only fair conclusion from these figures is that the inflationary process is still at work and is an important contributory factor in the demands for increased wages over a wide field of industry. The recent rise in fuel and transport costs is also significant and nothing is more certain than that wage unsettlement will go on, with all its troublesome implications, unless greater

success can be achieved in stabilizing the purchasing power of money. A comparison with United States experience over approximately the same period does not give ground for any self-congratulation. There general consumer prices were extraordinarily stable between 1952 and the autumn of 1954, the rise being less than 1 per cent, while there was a small decline in the level of food prices. There has thus been no question of importing inflation from the U.S.A. We have not succeeded in importing stability. In this field British performance in the last three years, though an improvement on their predecessors, has definitely not been good enough.

Monetary circulation

Basing the calculation on the average note circulation with the public and the deposits of the London clearing banks, one observes that the monetary circulation has risen from 1952 (when the aggregate was roughly the same as in 1951) by nearly 9 per cent in November 1954. It is not suggested that any precise parallel is to be drawn between the growth of credit and the movement of prices. For instance, the rise of 16 per cent in the volume of bank clearings through the London Clearing House in 1954 shows that the mere figures under-represent the credit expansion. Nevertheless the increases under both headings are more or less parallel, and during the period there has been evident reluctance on the part of the authorities to countenance any serious monetary pressure. Aid from special sources seems to be usually forthcoming when any significant shortage of funds develops. This is not consistent with a policy of keeping up the internal purchasing power of money and seems to betoken a somewhat indulgent mood which is not calculated to help the convertibility issue.

It may be argued that increased production calls for an increased circulation. But this contention cannot be accepted without qualification, when it is associated with a drop in the purchasing power of the currency unit. There would be a good case at the present time for a monetary policy directed towards restricting the growth of the fiduciary issue and of the volume of credit, which has reached a new high level.

Savings

A drive is being made to enlist 2,000,000 new savers. This implies that the Government intend to pursue a policy aiming at the preservation of the purchasing power of money. On any other understanding an intensive savings campaign would be morally difficult to justify. Since a check was administered to the tempo of inflation and people began to hope that the purchasing power of their savings would be maintained, there has been a marked improvement in the public attitude towards savings. But if the renewal of confidence is not to prove temporary, it is of the first importance that a halt should be called to the inflationary trend, so that full advantage may be taken of the increased limits recently allowed for the accumulation of Savings Certificates and Defence Bonds, which constitute two of the main vehicles for popular saving and its contribution to investible resources.

It is not possible here to review all the facets of financial and commercial

life, influenced by monetary policy, since its influence reacts on the whole economic system. But some reference must be made to production, trade and employment, where fiscal and industrial policy also play a determining part. In both these fields there is cause for some satisfaction.

Production

The first three quarters of 1954 have exhibited a steady advance over the figures for 1953. For last November (1948 = 100) the index may be put at 136·7 as compared with 133 for the same month in 1953 and a substantial improvement applies to the year as a whole. Having regard to the rising costs of the social services and the heavy defence commitments an increase in production provides the best hope of reducing the proportion of the national income taken in taxation by increasing the yield from the existing rates. But it is crucial that the increased yield should result from increased efficiency and not from inflation, which would dissipate it in meeting higher costs.

Employment

Growing production postulates a high level of employment, and there has over the last two years been a significant reduction in the figure of unemployment, which rose temporarily as the result mainly of difficulties in the textile industry in 1952. For the first nine months of 1954, the ratio of those unemployed to the total number employed, viz. only about 1·33 per cent, was less than that in 1950, when the mood was more inflationary than today. The December unemployment ratio was a low record figure for that month since the war. The statistics include labour in transition and those temporarily out of work. A progressive industry requires that labour should possess a certain mobility, for which careful provision has been made in the National Insurance system and which has now become less difficult owing to the success of the housing drive. When one hears of many vacancies in industry which cannot be filled owing to the dearth of available labour, it is bound to raise the question whether the country's manpower is being used to the maximum economic advantage and whether the present distribution is not tending towards an excessive rigidity and so to an avoidable increase in labour costs. This would itself be a symptom of the inflationary trend on which comment has already been made.

Trade

The figures already given regarding the increase of the international reserves are indicative of a healthy trade tendency. Exports for 1954 have exceeded last year's level by £92 million, about 3½ per cent, and as imports rose by 1 per cent only the trade gap was reduced. The most satisfactory feature of British external trade has been its ability to maintain itself unexpectedly well in the face of the recession of activity in the United States, and the actual value of exports to North America has only shown a drop of 10 per cent over the year. Recent developments indicate that the United Kingdom and other European countries represented in O.E.E.C. have developed a welcome degree of strength to stand up independently to adverse

developments in America. This is not the occasion for a study of the underlying causes that have contributed to this improvement. Its continuance largely depends on the suppression of any inflationary rise in production costs which could gravely prejudice our competitive export prospects.

Conclusions

WHAT conclusion is to be reached from a synoptic view of these different factors, some favourable, others less so? The criterion, it is suggested, must be found in their contribution to the restoration of multilateral freedom of the exchange at a stable rate, that, is a true convertibility.

That this remains the sterling objective is clear from repeated declarations by the Chancellor of the Exchequer and from the proceedings of the Ministerial Committee of O.E.E.C. in January. Past discussions have shown that the preconditions of convertibility fall under two heads. The first group relates to co-operative action by other countries, whose policies are not under British control. This would involve some arrangement with foreign countries that the introduction of sterling convertibility would not be disturbed by action restricting the normal flow of sterling imports with a view to acquiring dollars instead. In the field of imports the fiscal policy of the United States plays a cardinal rôle and it would be desirable that by tariff changes affecting rates and by procedures favouring imports into the U.S.A. the possibility of countries earning larger supplies of dollars should be increased. While the Randall Commission, despite reservations, made recommendations in this direction, experience in recent months has not been encouraging. But President Eisenhower has now renewed his appeal to Congress, which after the recent elections has a more Democratic complexion, for authority to negotiate fiscal changes, aiming at freer trade, "on a gradual selective and reciprocal basis". There is still ground for scepticism whether the U.S.A. will change its traditional policies in regard to the import of manufactured commodities, which constitute the staple products of industrial Europe and which, as distinct generally from raw materials, are competitive with American domestic production. Credits on approved conditions would presumably be forthcoming from the I.M.F. to fortify a return to a system of multilateral payment. But, apart from this and perhaps some support from the banking system, it would seem prudent that a country seeking to re-establish convertibility should rely essentially on its own efforts with such help as may be forthcoming from G.A.T.T. to check tendencies towards higher protectionism, including special *ad hoc* measures designed to prevent British and continental manufacturers from surmounting existing American tariff barriers. It is doubtful whether convertibility for sterling can be achieved if action contrary to traditional American policy is to be made a *sine qua non* of progress.

The second group of measures relates to action within the control of the United Kingdom itself. Here the main points are:

- (1) The further strengthening of the internal economy, which implies the eradication of the surviving inflationary tendencies. Speaking in the

City not so long ago the Chancellor of the Exchequer, who compared monetary ailments to "the primrose path and the waste land", said: "This year the primroses are a little bit nearer. I do not propose that we should dally to pick many of them. There is not much waste land in view but we must be careful cultivators of our national estate." The practical application of these pleasant metaphors raises some nice points, which have been alluded to above. They tend to negate the advisability of tax reliefs on any large scale for the benefit of the individual consumer. The objective should be to stimulate the growth of productive enterprise, which has a less popular appeal.

- (2) The provision by the market of the "very large sums needed by the Exchequer of today" in regard to which Mr. Butler claimed that the Treasury and the Bank had conducted operations "so as to maintain monetary stability and prevent disturbance to the delicate machinery of finance and credit". Inflation is an inevitable temptation to a Government carrying a heavy burden of debt with recurring obligations of refinancing. The figures cited above regarding the expansion of credit and the rise in prices suggest that the upshot of the policies adopted has brought the country too near "the primrose path". The rise in money rates in the last two months of 1954, followed by the increase of Bank rate to $3\frac{1}{2}$ per cent on January 27 last,* has shown that money rates may move in either direction.
- (3) The position of employment and the effect on production also disclose factors strongly suggestive of an inflationary trend, which must not be overlooked in painting the more rosy side of a complex picture.

At the meeting in the City to which reference has been made the Governor of the Bank spoke of the barometer as pointing "rather more towards inflation than deflation". This would seem on the figures cited to be a very appropriate comment. Political considerations cannot be excluded in the application of monetary policy. It is important to prevent them from becoming dominant and their reconciliation remains one of the unsolved problems of a modern free democracy. Central Banks are subject in these days to conflicting emotions. Some of these relate to fields within their direct control, in particular the volume of credit, of which the exchange and the price level provide a fair test; others relate to fields in which their policies play an important but not exclusive part. An eminent Central banker once remarked that one ought in credit control always to feel the horse's mouth. Differing views might be held on the question how far recent credit policy has complied with this canon. But what might pass as adequate in ordinary times, when a little indulgence can be easily corrected, is not necessarily to be regarded as good enough today when the country is seeking to establish free convertibility. In these conditions error, if there is to be one, should be in the direction of making money rates effective rather than promoting easy credit. In present circumstances, when the pound is inconvertible, the car-

* The further rise to $4\frac{1}{2}$ per cent, commenced on February 24 as THE ROUND TABLE goes to press, accords with the argument developed above and is to be welcomed.

dinal objective of monetary policy should be to maintain its internal purchasing power. On the basis of a stable standard of value the essential requirements of a sound economy can be established. One of its aims would be to provide rising real wages by a gradual increase in the value of money consistent with a constantly improving efficiency of production and a high level of employment. The alternative of compensating for a creeping inflation by paying out larger dollops of depreciating paper is to be rejected. An economy relying on inflation, crawling slowly but surely, will progressively disrupt all contracts for time and will in the end sink into a quicksand.

It seems essential that the steps preliminary to convertibility should be speeded up as far as they are within our own power, since the longer these are delayed the greater the risk of over-expansion of credit. The automatic restraint of a convertible régime is not the least of its benefits. A strict control of credit is required to ensure the full competitiveness of sterling exports over the whole field. It is important that if, after the completion of the preparatory measures, the time becomes ripe for convertibility, the volume of available credit should not be more than is required for the financial and commercial purposes of trading countries, so that tendencies to the export of funds may be held in check. The elimination of inflation is thus an inescapable first ingredient in the process to which the country has set its hand. Not even the most ardent advocate of convertibility would claim that the position is yet ripe for this decisive step. Any attempt to get back to convertibility while an inflationary trend still prevails would invite trouble and impair confidence in the capacity to sustain it. An administrative convertibility tested by experience might be a prudent prelude to formal convertibility. Despite modernist subtleties it remains true that, if a country is to have a real money, it should preserve in normal times a broad consistency of purchasing power. This is necessary to ensure justice between debtor (including the State) and creditor, to provide industry with security for its reserves and a stable basis for its plans and to induce the large flow of investment that an expanding economy requires.

As in the days of the Bullion Committee and notwithstanding all the changes of the last 150 years, over-expansion of credit is the chief enemy to be conquered. If this is once accomplished, many of the other important aims of a sound and progressive economy stand a good chance of being realized at the same time.

MIDDLE EASTERN DEFENCE

A LOG-JAM BREAKING UP

TWO events in the past year, Britain's agreement with Egypt and the proposal for a treaty between Turkey and Iraq, have done more than anything else since the end of the war to break up the log-jam in the Middle East. It is still quite possible that one or other—or both—of these arrangements may be nullified overnight by a *coup d'état* of the sort with which the Middle East has become depressingly familiar. Gamal Abdul Nasser and Nuri Said have made too many enemies for it to be reasonable to suggest that their hold on their countries is secure. But the two events remain deeply interesting as symptoms of changing thought. A year ago it looked as though the twentieth century was developing an "Eastern problem" as unchanging and intractable as that which dominated the nineteenth century. Diplomats seemed fated to spend as long discussing the break-up of the Ottoman successor States as their predecessors spent discussing the break-up of the Ottoman Empire itself. But now change is in the air.

The Anglo-Egyptian agreement of last July has been called a "give-away" by Captain Waterhouse, M.P., and a "new and hopeful beginning to the process of rebuilding confidence between our two countries" by Mr. Nutting, M.P. Whichever judgment is accepted, there can be little doubt that it is consistent with British policy towards Egypt in the present century, which has involved making political concessions to achieve strategic benefits. Inevitably as time went on the concessions became larger and the benefits smaller, but it is a misreading of history to accuse the present British Government of initiating a great reversal of policy. If blame is to be allotted for the way things have turned out the culprits should be sought farther back—Milner, perhaps, for recommending the end of the protectorate, or even Dufferin for not suggesting a protectorate in the first place.

In fact the agreement of July 1954 is essentially a less radical document than the declaration of February 1922, which made Egypt an independent State for the first time in two thousand years. But the impulse on the British side behind both documents was the same. On both occasions a point seemed to have been reached where the choice was between working with the current representatives of Egyptian nationalism and driving them out by force. And on both occasions it was decided that the game of driving them out was not worth the candle.

The reasoning behind this calculation a generation ago was comparatively simple. Lord Allenby's appreciation as High Commissioner (1919-25) was, in the words of his biographer, that "our position in Egypt depended ultimately on our sea-power in the Mediterranean. So long as that was maintained we could afford to make all reasonable concessions to the Egyptians, since we could control Egypt just so long as we controlled the Mediterranean." Even if the expression "reasonable concessions" is allowed to pass, it must

be admitted that today's calculations are much more complex. They include the following facts, which would have been new to Allenby: Egyptian membership of the United Nations; the existence of the State of Israel, with which Egypt is still in theory at war; the discovery and exploitation of oil, which has made the Middle East precious for its own sake and not simply as a bridge between other intrinsically precious areas; the substitution of an American for a British fleet as the main guardian of the Mediterranean; the development of air power, which has placed the Suez Canal within a few hours' flying time from a potentially hostile base. And, of course, the atomic and hydrogen bombs.

The 1954 agreement, therefore, represents much more than the end of a seventy-year-old occupation. It is symbolic of the vast changes in power and interests which have taken place since the first Englishmen, in the words of Kinglake, "planted a firm foot on the banks of the Nile". It might, indeed, be claimed that the greatest merit of the agreement is that it has (or should have) stopped both Englishmen and Egyptians from arguing in terms of the past. What Granville said in 1882, or what Zaghoul meant in 1922, have no relevance to present conditions. Egypt still has enormous significance for the West—but no longer primarily as a bridge to Far Eastern possessions or as a custodian of the Suez Canal. Egypt is today important in its own political right, and as the hinge of a rich and sensitive area of the modern world.

The obvious interest of the Western Powers is to ensure that this area is kept strong and free. Ideally they would like to see all the States concerned packed together in an interlocking defence arrangement on the lines of N.A.T.O., but when a scheme along these lines was proposed by Britain, America, France and Turkey in 1951, it fell completely flat. There has been no serious effort to revive such a scheme since. Instead a gentler and more patient process has been at work, aimed at reconciling local disputes and "lowering tension" (to use the fashionable jargon). The idea is, presumably, that if the Middle East cannot yet be strong it can at least be quiet—and that quietness is one of the attributes of strength.

This more pragmatic approach has had a good measure of success. Apart from the Anglo-Egyptian settlement last year, and the earlier agreement on the Sudan, there has been an oil settlement with Persia, and the opening of arbitration proceedings between Britain and Saudi Arabia over the disputed ownership of the Buraimi oasis. Another corner of Arabia has seen a visit from the Governor of Aden to the Imam of the Yemen which, it was hoped, might put an end to the frontier bickering that has so long gone on between the Yemen and the Aden Protectorate. True, the desired results seem so far not to have been realized, but any progress in this remote part of the world must necessarily be extremely slow.

The Turco-Iraqi Treaty

SO far so good. And on top of these patiently prepared *détentes* has come the suddenly contrived treaty between Turkey and Iraq—perhaps the most interesting development in the Middle East since the end of the war.

From the viewpoint of an outside observer nothing is more natural than that Turkey and Iraq should make a common defence pact. They are close neighbours; their frontier problems were finally settled a generation ago; they were partners in the now almost forgotten Saadabad Pact, signed in 1937 with Persia and Afghanistan as the other signatories; they are both close enough to Russia to feel uncomfortably exposed. Moreover, it was clear when the pact between Turkey and Pakistan was signed a year ago that it must remain largely platonic without at least the goodwill of the two intervening States, Persia and Iraq. Added to all these excellent reasons there is Nuri Pasha's personal predilection towards things Turkish (he belongs to the generation of well-to-do Arabs who were educated in Constantinople) and the pact explains itself.

But it is precisely because of its common-sense qualities that the treaty is so interesting. For the first time, it seems, a threatened Arab State has taken spontaneous measures to defend itself. Does this mean that Western warnings have at last taken effect? The explanation is not so simple. Turkey and Iraq are, with Persia, the only countries of the Middle East which have seen Russian troops on their soil within the last forty years. (The Russians came as far south as Rowanduz in 1916, and "such terror and loathing did the Russians inspire by their ravages that . . . several thousand Kurds joined the Turkish forces". Memories are long in Kurdistan, even if Kurdish opinion does not usually carry great weight with the central government in Baghdad.) As the example of Europe shows, it makes a great deal of difference to a country's feelings if the Russians have been physically present in it within living memory. (How else account for the ineffectiveness of Communism in Austria or West Germany, compared with its strength in France and Italy?) Nuri Pasha, moreover, has never had any illusions about the reality of the Russian menace, but only in this period of office has he felt strong enough to do something about it. Now his country prospers; his most severe critics are in gaol; the press is disciplined. Nuri Pasha may well feel that, taking into account both his age and ill health and the international situation, bold measures were called for. In his eagerness to achieve results he has been governing perhaps a bit more brusquely than convention demands, but few of the governed notice the change or object to it. The danger is that some sudden shift in the tortuous pattern of personalities which makes up Iraqi politics may undo Nuri Pasha and consign the policies associated with him to odium.

The treaty marks a no less remarkable change of mind on the Turkish side. Until recently the official Turkish attitude towards the Arab States was one of indifference bordering on contempt. The new Turkey was essentially a part of Europe, it was pointed out, and belonged to the European defence grouping. Her rulers wasted little time on what they regarded as the frivolous politics of the Arab League, and built up an ostentatiously strong commercial link with the only Middle Eastern country that showed signs of being as energetic and clear-sighted as their own—Israel. Now Mr. Menderes has reversed this trend. He has gone to much trouble and spent much time not only in order to reach agreement with Iraq but also to explain his point of

view to the hesitant politicians of Syria and Lebanon. He was willing to go to Egypt also. It is not immediately obvious what can have caused this change of attitude, though the signature of the Anglo-Egyptian agreement and American advice may have had something to do with it.

The Family Solicitor

BY and large the Middle East seems in a better shape for defending itself in 1955 than at any time since the end of the war. If Russia attacked south tomorrow—and in Russian eyes the Caucasus have always seemed more of a gateway than a buffer—they would find ranged against them not only Turkey and Pakistan, but also Iraq and Egypt. Persia would, as always, resist a direct Russian attack to the best of her abilities. Jordan's treaty with Britain is still in force, and though there have been overtures from the Jordanian side for a revision the treaty is not likely to be denounced or to lapse. Behind what must form the front line of resistance to a Russian attack are the British and American bases and aerodromes in Libya, Cyprus and the Persian Gulf. In fact, it looks as though the West ought to be able to count on the active support of most of the Middle East in the event of a war which involved a direct Russian attack in the area. The position is therefore theoretically encouraging, and in view of the periods of pessimism which have had to be gone through in the last ten years a little reasonable encouragement should do nobody any harm. But before this encouragement overflows into complacency, two notes of warning have to be sounded. The first is that the British and American approaches to the Middle East and its defence problems seem to be still imperfectly co-ordinated. The second is that the basic political conflicts of the Middle East are as far as ever from being resolved.

In the British view the friendship of the Arab countries is a delicate plant which must be cultivated, since only through their friendship can we hope to preserve our oil supplies and our communications in peace or in war. Hence the attentive ear which the Foreign Office keeps cocked to the irregular pulsations of the Arab world; hence the vast (and on the whole successful) exercise in public relations which the oil companies are conducting; hence the intense activities of the British Council, the B.B.C. and similar bodies in this area. It might seem as though Britain, having given up ruling or physically dominating the Middle East, would nevertheless like to be treated as a sort of family solicitor by the States concerned—as an old and vastly experienced friend, to whom they could turn in times of need and crisis. This is perhaps the relationship Americans describe as that of a "good neighbour".

The British admit that today the Middle East is much harder to defend than it used to be, both because there is more in it that needs defending, and because bases nowadays have to be put where they are tolerated, and not where the generals would choose. Nevertheless Libya (whither most of the troops from Egypt are due to move), Cyprus and Jordan provide a fair defensive triangle to start off with. It is always to be hoped that the R.A.F. bases at Habbaniyah and Shaibah will be able to continue somehow—though they were originally sited more for the purposes of internal security than of

global strategy. And then, of course, the great base by the Suez Canal itself is only being put in mothballs, not destroyed. So, in the British view, a fairly intelligible pattern of defence for the Middle East as a whole is evolving.

One obvious drawback to the pattern is that it leaves the Suez Canal itself apparently dangerously exposed—or protected only by the Egyptian Army, which for some people amounts to the same thing. But there is a growing tendency to regard the Suez Canal with a marked degree of fatalism. It is due in any case to pass into Egyptian hands in 1968. It has always been particularly vulnerable to air attack or sabotage. Above all, the Canal cannot be treated in isolation as a defence problem. It is simply the narrowest stretch in a long waterway which goes from Gibraltar to Aden. If this waterway is cut anywhere, the whole of it (as the last war showed) becomes more or less useless. Therefore, it can be argued, defence of the Canal, which in the First World War was mainly a matter of ground troops, and in the Second World War mainly a matter of anti-aircraft guns, would in a third world war become impossible.

New-comers to the Middle East

THE American view of the position is not the same. It must be emphasized that there is no such thing as an official national view, and that to speak of "British" and "American" views is simply to concoct a highest common factor of popular beliefs, which is to be found among politicians and diplomatists as well as elsewhere. The American view is based on the axiom that Britain has consistently made a mess of things in the Middle East, where, as a just consequence, she is now universally loathed. It is only, runs the argument, thanks to the good offices of American intermediaries that Britain was rescued from disaster in Persia and Egypt. Hence all British attempts to make friends and influence people in this part of the world are rather pathetic and also quite possibly dangerous, because they are liable to raise cries of "colonialism", which is something the Arabs, no less than the Americans, are bound instinctively to resist.

The Americans, arriving fairly fresh on the Middle Eastern scene (it is only within the last ten years that oil or strategy has brought them there in force), have made a quick appraisal of the area's strong and weak points. From their survey it emerges that the most obvious strong point is Turkey. Israel—a State with which America has many ties of sentiment and interest, could be another. Pakistan is a sturdy bastion on the eastern flank. Saudi Arabia, though far from being "strong" in any political sense of the word, is a country of particular concern to Americans, since their companies exploit—on generous terms—the fabulous reserves of oil to be found there. An American military mission has replaced a British mission with the result that, in so far as foreign influence can penetrate the secret peninsula, such influence today is American, not British. It is now an American, not a British, fleet which is the main defender of the Mediterranean. And the Americans cannot, according to their own tradition, avoid looking on the Mediterranean as an inland sea into which the Navy must from time to time move for the suppression of pirates—Barbary in one generation, Communist in another.

There is no need to exaggerate the differences between the British and American approaches, though it is a mistake to ignore them simply because in the Middle East they arouse less attention than in, say, the Far East or Europe. On the other hand, it is probably true that there is less backbiting on the spot between British and American representatives (diplomatic and other) than there was a few years ago.

A matter for far more serious concern is the gulf which, in spite of all indications to the contrary, continues to separate Western ideas about the world from the ideas of the Arab peoples and their rulers. Western warnings about the menace of Communism are still generally regarded as dishonest or irrelevant, or both. Some Arabs, particularly in Iraq and Syria, may feel exposed to Russian expansion, because, like the Turks, they know that the Russians have always been apt to expand southwards. The rich everywhere are naturally alarmed by a political system which threatens their wealth. But the convention of Arab political behaviour still makes opposition to "Western imperialism" the cardinal virtue. If Communism also claims to be opposed to "Western imperialism" there must be something good in it. It is significant that when last year, under the Governments of Fadhil Jamali and Arshad al Umari, newspapers sprang up in Baghdad like mushrooms, most of them mixed their familiar abuse of Britain with praise of Russia. This was probably not to be explained entirely by revolutionary fervour or by subsidies from the (now dispersed) Russian Embassy. They only do it to annoy, because they know it teases the British Embassy and the "old gang" politicians.

Opinion in the Arab States, both official and unofficial, tends to be extremely egocentric. For the Arabs the most important thing that has ever happened in the world is their own struggle for political independence. Other happenings are only interesting in relation to this great—and unfinished—event. Hence the Arabs have a well-developed sense of self-sufficiency, which to the outside observer often seems to be identical with self-deception. What about the threat of Communism, the Arabs are asked? Religion will take care of that. What about the danger of a Russian attack? The Arab League has its own mutual defence treaty. The violent abuse which has been heaped on Iraq for suggesting a treaty with Turkey is to a considerable extent due to anger that Iraq should have broken the convention of self-sufficiency.

A Foreign Body

THE establishment of the State of Israel provides some justification for the Arabs' continued introspection. Here, at least, it seems, is a grievance which is real and persistent. Seven years have now almost passed since the State of Israel came into existence, and there is a tendency in the West to suggest that it is time the Arabs overcame their resentment and faced the fact that Israel has come to stay. To argue thus is to underestimate the capacity of nations to nurse a grievance. (Had the French forgotten Alsace and Lorraine in 1914?) Also, although the fighting in 1948 was on a very small scale, this does not mean that it has left small memories. And although it is possible to find in all Arab countries—except perhaps Saudi Arabia, where the influence

of Palestinian refugees is particularly strong—men in responsible positions who would be glad to welcome a settlement of this nagging problem, there is still no open support for this view. No candidates are to be found for the role of an Arab Michael Collins—or for his fate.

The answer, therefore, to the question: "Where does Israel fit into the pattern of Middle East defence?" is still that she does not fit in at all. It is a disappointing answer, inasmuch as the present Israeli Government has made it clear that its sympathies and interests lie with the West, while the Israeli army is the only one in the Middle East (apart, of course, from that of Turkey) which, by virtue of training and numbers, could put up much of a showing on its own account against aggression. No doubt if war came the facilities and communications of Israel would be available to the anti-Communist world. But these are not of great importance by themselves. Haifa harbour is small; the Haifa refinery is of not much value if no oil comes down the pipe-line from Kirkuk; Israel's railways are of little use if they stop short at Gaza. Palestine used sometimes to be called the "Clapham junction of the Middle East". The part of Palestine which has now become Israel is still a junction—but a junction in time of a railway strike.

It is no use, therefore, looking on Israel as a substitute ally. Ideally it should be possible to incorporate her somehow in a defence system with her neighbours. At one time there were suggestions that what people like Nuri Pasha were after was an all-embracing pact, covering the whole of the Middle East, in which outside Powers such as Britain, the United States and Pakistan should find a place. In such an all-embracing pact Israel might have slipped in almost, as it were, in the capacity of an honorary member. However, the proposal for a separate treaty between Turkey and Iraq has put an end for the time being to wider schemes.

Inevitably, therefore, the present prospect is one of patient negotiations between individual Governments, including Israel. The body-blow which Iraq has dealt to the Arab League means that these bilateral negotiations will have to take place even between the Arab States themselves. This prospect seems to fit in fairly well with the British view of how the Middle East should evolve. It remains uncertain, however, whether the object of all negotiations should be to conclude pacts or alliances on the lines of that planned by Turkey and Iraq. Mr. Bevin, when Foreign Secretary, worked hard but unsuccessfully for his vision of a series of bilateral pacts, cementing the friendship between Britain and the Middle Eastern States. Since Mr. Bevin's failure it has been the Americans rather than the British who have set the pace for pact making. In fact the British welcome for the Turko-Iraqi treaty was perhaps not quite so robust as the American, because British pleasure was tempered by anxiety over the resentment Iraq's action might cause among her neighbours. Colonel Nasser has made no secret of his belief that, while Egypt's interests must align her with the West, it would only do more harm than good to try to formalize her relationship in a pact. The present rulers of Syria and Lebanon, though as a rule less coherent than the Colonel, would probably agree broadly with him. The British Government appears to see the force of this argument, and is unlikely to press reluctant States to

move faster than they feel inclined. Perhaps, in spite of their instinctive preference for getting things properly tied up on paper, the Americans also will be prepared to go slow.

We started from the position that the Anglo-Egyptian agreement and the Turko-Iraqi treaty had pushed Middle East defence planning out of the ruts in which it had been labouring since the end of the war. If, after all, it is now argued that the best prospect the future holds is for a continuation of slow diplomatic negotiation between interested States, without even the prospect of a good crop of new alliances, signed and sealed, at the end of it all, it might be objected that defence planning seemed to be in just as much of a rut as ever. But this is to ignore a vital difference. Colonel Nasser, and those who think like him, dislike being badgered to conclude alliances because the process of badgering is likely, in their opinion, only to irritate public opinion against the West and to distract it from the main subject claiming its attention—the social and economic improvement of Egypt. The implications of this argument are remarkable. They are, first, that Middle Eastern countries must set their houses in order if Communism is not to sap them from within; secondly, that it is a waste of time for public opinion to divert its attention from home to foreign affairs. The attitude of previous Egyptian Governments was the exact opposite—that the best way of distracting attention from muddle and corruption at home was to work up grievances against the foreigner. If this new argument gains ground, and the Middle East embarks on a period of reform and progress, it should become more worth defending as well as more defensible.

PUBLIC LOSS OR PRIVATE PROFIT

IMPLICATIONS OF THE RAILWAY SETTLEMENT

PEOPLE are gradually finding their bearings again after the shock which was administered by the settlement of the railway wages dispute in Great Britain. As more data become available—the report of the Court of Inquiry and the modernization plan of British Railways were not published until nearly three weeks after the strike was cancelled—and as more time passes for reflection and discussion, one begins to realize that the event has enabled us to see aspects and consequences of nationalization which were only dimly discerned before.

The immediate political antagonisms which the process of nationalization aroused did more to obscure than to illuminate the real significance of the changes which Parliament effected. Only now, when a Conservative Government has willynilly been responsible for half a dozen nationalized industries for several years, are we starting to learn.

When the railways were nationalized—and what is true of the railways is true of the other nationalized industries—the vast conglomeration of stock into which their ownership was divided (ordinary shares, preference shares, debentures, &c.) was converted at one fell swoop into gilt-edged securities—British Transport stock. The service of this stock at gilt-edged rates of interest was, by the Act of nationalization, made a first charge on the revenues of the railways, which were furthermore directed to redeem that stock over ninety years.

This, however, was not the only obligation placed on the British Transport Commission. They were also directed to make ends meet, or, in the formal words of the statute, “so to conduct the undertaking . . . as to secure that the revenue of the Commission is not less than sufficient for making provision for the meeting of charges properly chargeable to revenue, *taking one year with another*”. These “charges properly chargeable to revenue” include the service and redemption of the capital. The italics, needless to say, are ours.

The Transport Act, 1947, which nationalized the railways, also nationalized long-distance road haulage as well as those docks and inland waterways and road passenger transport assets which already belonged to the former railways. It was one of the ideas behind the Act that if all alternative forms of transport were entrusted to the Commission, the Commission would be able to meet their obligations, since losses on the railways would be balanced by profits on road haulage or vice versa. Thus, it was claimed, the intractable problem of the erosion of railway takings by road transport competition would be solved, and the Commission, as a planning body, would be able to direct traffic—how, was never explicitly made clear—into the economically most advantageous channels.

The Transport Act, 1953, by denationalizing the majority of the road haulage assets of the British Transport Commission, certainly deprived the

Commission of a potential means of making good losses incurred in running the railways: the railways and their competitors ceased to be financially interlocked. At the same time the 1953 Act produced its own solution to the old problem, by giving the railways for the first time full freedom to charge "what the traffic will bear", like an ordinary commercial undertaking. The 1953 Act, however, did not affect the fundamental facts of nationalization for the railways. After all, other nationalized industries, such as the gas and electricity industries, never had any financial link with their natural competitors, nor did the denationalization of road haulage impose any actual loss or disadvantage upon the railways themselves. It merely eliminated the possibility of invisible, because internal, subsidy. If the railways must be subsidized, said the Conservative Party, at least let it happen in the open; but they did not believe that, given the new commercial freedom of the railways, subsidy would be necessary.

As a matter of fact, British Railways are at the present time still receiving some assistance from the other assets of the Commission. In 1954 British Railways had net traffic receipts of £18 million, a figure which it was estimated* would fall to £10 million in 1955. Service of stock and redemption requires from the railways roughly £40 million; so that deficits of £22 million and £30 million respectively would be incurred by the railways as such. In reality, the deficits were estimated somewhat lower—£15 million and £25 million respectively—because of assistance from the Commission's other assets. Broadly speaking, however, the position is that the working receipts of British Railways are far less than the sum required for service of its capital.

This situation ought to attract more attention than it does. A railway system is essential to the life and economy of the country; and to say that a service essential to the life and economy of a country whose industries and exports are booming cannot pay, is a contradiction in terms. If an essential service is not paying, what must be happening is that part of the costs of production and distribution are being shifted from one element of the process on to another—or, perhaps, on to the community at large. But because a railway system is essential, it does not follow that it is *this* railway system as at present composed and operated. *This* railway system may contain so large a proportion of inessentials that the system as a whole cannot "meet charges properly chargeable to revenue", cannot, in other words, pay.

The phenomenon of profitability prejudiced or destroyed by obsolescence is perfectly familiar. Most industries and major businesses have experienced it at one time or another. When they did, what has happened? They have reduced or even suspended the service of their equity, until either the management, moved, if by nothing else, by the shareholders, reconstructed the concern on paying lines, or else it was written off altogether by bankruptcy. Before 1939 there were periods of years at a time when the main-line railway companies paid little or no interest upon their ordinary stock. These were periods in which, more or less successfully, they reorganized and re-equipped themselves and sought to work their way once more towards a profitable structure. British Railways are in just such a phase at the moment.

* Before the wage concessions of January 1955.

Their net working receipts are far from sufficient, especially before the new charges can be brought into force, for service of their capital at the full rate. There is nothing new or strange about this. What is new is that their entire stock consists of gilt-edged securities, guaranteed by the State, which must depend for service on the Exchequer if British Railways fail to provide it.

Nationalization thus placed upon the British Transport Commission two obligations which are not necessarily compatible with one another: the obligation to provide service for the stock created in 1947, and the obligation to make both ends meet "taking one year with another". As soon as the existing railway system ceases to pay, these two obligations threaten to become incompatible. They will actually become so, unless the Commission's reserves are sufficient to continue service for the gilt-edged stock during the period necessary for reorganizing the system on a profitable basis. At the same time the responsibility for any measures, such as wage increases, which threaten or defer the solvency of the undertaking is automatically transmitted to the Government as the guarantors of the railway stock. The sole effective source of pressure upon the management to maximize efficiency and observe due commercial prudence lies under nationalization with the Government. *Hinc illae lacrimae*. We now reach the point where what happened in early January can be properly understood.

A Plan of Capital Investment

THE British Transport Commission's plan *Modernization and Re-equipment of British Railways*, published over a fortnight after the wage crisis but dating from before it, is a plan of capital investment designed to be under way in five years and completed within fifteen. On the assumption that the plan is duly executed and that no major unforeseen change in economic conditions occurs, the Commission calculate that in fifteen years time the new capital invested will produce net additional receipts of £85 million a year. The investment, however, brings with it new obligations for interest, amortization and depreciation amounting to £55 million per annum. Thus the total effect would be to convert an annual deficit of £25 million on the Commission's operations as a whole into an annual surplus of £5 million. (This of course assumes that there will continue to be a surplus on the Commission's undertakings other than the railways which can, as at present, be applied to carry part of the burdens properly attributable to the railway undertaking.)

If a £25 million net deficit is converted over fifteen years into a £5 million annual surplus, the maximum accumulated deficit which is expected must be in the region of £150 million, though of course this figure would be greatly influenced by the stage at which modernization began to have a really big impact on receipts. In calculating their prospective earnings the Commission, though this is implied rather than stated, must have taken into account any expected advantage from the new system of charging which the 1953 Act has enabled them to introduce. By and large, therefore, the Commission might well feel in December 1954 that, provided the modernization plan was implemented as intended, they could just meet their obligations during the

period of transition and emerge at the end as a paying concern. Their statutory duty to make both ends meet "taking one year with another" would have been fulfilled, though the utmost latitude of interpretation would have been placed upon that famous expression. No one can of course give it a precise meaning in isolation, and in any case the parent Act itself provides that the obligation shall not be justiciable: much as he might like to do so, John Citizen cannot apply to the Courts for a *mandamus* against the British Transport Commission obliging them to make their undertaking pay. If, however, the financial prospects and intentions of the Commission were less favourable than those implied by the modernization plan, then they would be so conducting their undertaking that in no foreseeable period of years could they meet their obligations without recourse to the Treasury for either a direct subsidy or a loan to meet current and not capital obligations.

The wage claim with which the Commission were confronted in the autumn of 1954 did in fact worsen the financial prospects on which the modernization plan was based. No official estimate is so far available of the cost of the wage increases conceded; but it is certain that it must add millions of pounds to the current annual deficit. Since the ultimate margin at which the Commission were aiming was itself only £5 million, that meant a permanent prospect of annual deficits even after implementing the modernization plan. One now sees why the Commission dug in their toes and virtually said to the Government: "If you do not want a strike, you must accept the financial responsibility yourselves." The cryptic remark of General Robertson, the Chairman, when the Commission were ordered to accept the wage award, that "it was not his business where the money would come from", is perfectly intelligible against the background of these figures.

The Government decided, wisely or not, that they would not have a strike. And so where *is* the money to come from? There is no need for it to come from anywhere for several years, because the Commission's reserves will be sufficient for some time to meet the annual deficits. There is no need, for the present, to resort to any such crude device as a direct subsidy from the Exchequer or the capitalization of the Commission's losses. In principle, however, the nation is called upon to resolve the dilemma which it created itself by the act of nationalization. We cannot have *this* railway system and at the same time service of the railway stock out of the railway receipts. Nor will even the bold and comprehensive modernization plan of December 1954 be sufficient to convert *this* railway system into a railway system which *can* provide service for that stock.

There is the challenge. We have time to consider maturely what our answer to it will be; but an answer, or a combination of answers, must be found.

Unfortunately the railways are not in such a position that it is possible, as with iron and steel and road haulage, to reverse, by denationalization, the error of converting masses of equity into gilt-edged securities. The function of railway equity at such a time as this would be, precisely, to carry the transitional loss; and you will not find investors falling over themselves to take shares for the purpose of performing that patriotic duty. A time may

come when a repetition of the present crisis could be avoided for the future by denationalizing, in one way or another, a sound and profitable railway system; but that will not be in the next decade or two.

It might be a palliative, but it would not be a solution, to free the British Transport Commission from its obligation of redeeming its capital, which would reduce by several million pounds per annum the Commission's fixed charges.

In the end, however, we shall be forced to do what we might as well resolve upon before we are driven to it, and that is, to bring about the transition from *this* railway system to *that* much more speedily and ruthlessly than the present plan of the British Transport Commission envisages. Hidden in the present railway organization, as a statue is hidden in a block of unhewn marble, is a railway system which meets contemporary economic needs, and therefore is itself a profitable undertaking. What we know now, since the wage crisis was settled, is that the sculptor's work must be completed in much less than fifteen years.

We have learnt something about the rest of the nationalized industries too. We have learnt that whenever economic changes threaten to render their structure or their operations obsolete, the same difficulties will occur, the difficulties inseparable from industry with gilt-edged stock for its capital. The British Transport Commission was the first victim, but only because demand for coal, gas, electricity has been consistently above supply since those industries were nationalized. That is the reason why the railwaymen's demands have produced crisis, while the miners' wage demands have not—as yet.

AMERICA'S LONG PULL

TOWARDS STABILITY IN ASIA

THE American Government has begun the long-range, difficult, and enormously important and urgent task of stabilizing its relations with the Communist Government of China. It must thread its way between a considerable part of American political leadership and public opinion on the one hand, which profoundly mistrusts any arrangement with Peking, and the Chinese and Russian governments on the other, which quite probably do not want to agree with Washington. Each of these polar groups seems opposed to a reasonable U.S.-Chinese arrangement. If a genuine and effective solution can be attained, it will be almost a diplomatic and political miracle. But the task is under way.

At least three times in 1954 President Eisenhower rejected the advice of important American officials and declined to permit the use of American military forces against the Chinese mainland. These were on the occasion of the siege of Dien Bien Phu, the bombardment of Quemoy Island, and the sentencing of the American prisoners by the Chinese, when a naval blockade of the Chinese mainland was urged on the President and firmly rejected.

The President's refusal to take such action was in effect the first major stage in his efforts to improve U.S.-Chinese relations. He plainly signalled to Moscow and to Peking that American policy was not belligerent nor provocative. It might have been inferred by the Communist Government, and probably was, that the United States had definitely given up any intent to support Chiang Kai-shek in his hopes to return to the Asian mainland. Washington was no longer threatening in any way the stability of the Peking régime. The American Government was accepting the *status quo* in East Asia.

But at the same time the United States was unwilling to abandon Formosa or Chiang Kai-shek entirely. The Chinese Nationalists were no longer a danger to the Communists, in actual fact. If the Chinese Communists do not seek to make the islands immediately offshore a jumping-off point for the invasion of Formosa, the United States would doubtless not interfere in their capture.* In short, the United States is ceding to the Chinese Communists the territories which have been historically Chinese during most of the last century. We are unwilling to add Formosa to these re-conquests for Mao Tse-Tung.

It would be utterly impossible for an American government to face American public opinion, led by a number of powerful political figures, if we were to abandon Chiang utterly. But in fact, Washington has done the next thing to it. It has made it clear that Nationalist China's chances for restoration are visibly *nil*. That régime has only Formosa, and whatever the long pull may

* The evacuation of some of the offshore islands by the Chinese Nationalist forces, with an American fleet covering the operation, had not been begun at the time this article was received.—Editor.

hold. Moreover, the United States could not have agreed to the disbanding of Nationalist China's military forces. Thus to disarm in Asia, in the face of ever-more-powerful Communist China, would have been sheer folly, or so Washington officials believe.

The defense of South Korea—which means the defense of Japan—is another vital American objective. And there is always the possibility that Chiang's forces may be needed to augment the defenses of South Korea. Furthermore, the United States could not bring itself to liquidate out of hand the investment of over a century in China.

But the United States is offering to Peking and to Moscow a genuine standstill agreement, a firm and valid line of demarcation behind which it is quite ready to prove its unaggressiveness. The line passes down from South Korea and Japan, through the Ryukyus and Formosa, to the Philippines. The United States is also striving desperately to help save southern Indo-China at the last moment, and it is being of what help it can in Thailand. It hopes Burma, Malaya, and Indonesia can also be held. But throughout South-east Asia the lines are not firm, and American action there is not definite.

The firm line is that which runs north and south. The United States offers mainland China freedom from threat in its historic territories. It is much the same position that has prevailed in Europe since the end of the siege of Berlin and the civil war in Greece. In Europe this reasonably clear division of East-West influence has seemed comfortable enough to the Kremlin, at least before West Germany was to be added to West European armaments. Whether the similar arrangement in Asia will be in any way attractive to the Chinese Communists remains to be seen. They have of course committed themselves categorically to the conquest of Formosa. They have done so in a manner the Russians never did concerning Greece or even Germany. For Peking to accept an arrangement which forgoes Formosa permanently would seem improbable. Yet that is what Washington is offering, and Washington cannot yield on the point. That Washington can concede recognition and the United Nations seat is at least a possibility at no greatly remote future. If a genuinely attractive stabilization in Asia were the assured result, perhaps American public opinion could accept these long-resisted steps.

A Dynamic Policy

THE great point, however, is that President Eisenhower and Secretary Dulles are taking positive steps in Asia to remove the threat of war, opening up a chain of events which might lead to reduction of frictions between the United States and Communist China. American policy in this regard is no longer sterile. It has become dynamic: negotiations may start soon at the United Nations on the New Zealand resolution for a cease-fire agreement. The situation is fluid, and it could lead gradually to constructive results. It is a direct response to whatever may have been genuine about the Moscow peace offensive. Its root fact is the abandonment of any threat to the Chinese mainland—it is acceptance of the Two Chinas, one of them cribbed and confined to the island of Formosa with no prospect of increasing

its military effectiveness. The realists in Moscow may discern the tangible olive branch which is being held out to them. Whether the exuberant and forceful men in Peking will see it that way is the great riddle. But the American position in Asia is no longer challenging; it is strictly defensive.

This American policy is a blend of two conflicting and almost irreconcilable trends. First, and most important, is the desire to bring about disengagement of the United States from war and the danger of involvement in war on the Asian mainland. The second conflicting trend was the commitment to sustain the Nationalist government of Chiang Kai-shek. These two contrary urges have competed together since the first months of the Eisenhower Administration: they have been officially proclaimed, and each still plays its important part as a component in present decisions. Had disengagement been the sole policy, the United States might long since have cut loose from Formosa. Military opinion alone has never been unanimously certain that the island was necessary for American defense: the Pentagon regards it as desirable but not as vital.

Had the sustaining of Chiang Kai-shek been the sole American policy, the United States should not have stood by while the Nationalist military position was eaten away island by island, as has begun, and some beach-heads on the Asian mainland might even have been held. The combination of the two policies has moderated each.

The Eisenhower Administration came to office committed to disengagement in Korea, which made possible its military budget economies and tax cuts. Settlement of the Indochinese war was an equally logical disengagement. And as 1954 ended the one active war frontier in the world lay in the Formosa Strait. Only if this issue can be settled will disengagement be complete. But the commitment to Chiang, as well as the general commitment to resist Communist expansion wherever feasible, made complete disengagement impossible.

Washington postponed action toward reconciling these two conflicting policies as long as it could, although for the last eight months of 1954 its decisions clearly reflected a large degree of disengagement. Communist China precipitated the decision to strike the highest common factor between the policies. For Mao Tse-tung declared a policy to reconquer Formosa and began what seemed to be a preliminary military campaign to that end.

The reconciliation of the two policies may have come too late. The prestige of the Chinese Communists may now be engaged too deeply. No statesman or observer outside Communist councils can say whether either Moscow or Peking wants an agreement on the terms now plainly available. Can the Communist Powers be persuaded—perhaps by Mr. Dag Hammarskjöld—that they can now obtain for the asking all they could possibly get by force of arms? They can secure for Peking all the immediately offshore islands—everything except Formosa and the Pescadores—if they will abandon the military campaign against Formosa. Farther down the same road, they might obtain recognition and the U.N. seat, although Washington could not accede to these right away. These further concessions would depend more probably upon the stability of Communist China's behaviour.

It is inevitable that many people, including some American Senators, and naturally enough the observers in other capitals, should be confused by American intentions. It should be seen that behind a somewhat cloudy and even bellicose exterior, embodied in the congressional resolutions giving the President explicit authority to defend Formosa, there is in fact a major concession to Communist China and to America's allies. That concession is the end of Chiang Kai-shek as a threat to Asian order.

Obviously, Washington's effort to reconcile conflicting policies and to proceed toward stability and peace in East Asia faces enormous difficulties. The chances against its success are formidable. But this effort may lead to something better. There should be no mistaking the meaning of the reductions in the American military budget. The Eisenhower Administration has staked its hopes and its policies upon the assumption that a great war is too risky for either side. It is seeking to prevent the smaller wars by the present diplomatic steps. Will the meaning of these policies be understood? Will they bring a response? We shall see. But it is important that the effort is being made.

A Democratic Congress

THERE is every indication that President Eisenhower will get along perfectly well with the Democratic majorities in Congress. The new committee chairmen and congressional officers are for the most part men of vast experience and responsible political professionalism. They have had much more time in office than the Republicans who held the same posts during the past two years. They do not have an opposition complex. Most of them like and respect the President, though they regard him as politically naïve and sometimes careless. They resent the tone of Vice President Nixon's stump-speaking campaign against them last year—the charges of "twenty years of treason"—and they find Mr. Nixon a prime political target for the future, just as Secretary of State Acheson used to be a target for the Republicans.

In a sense, Democratic strategy is to separate President Eisenhower from the Republican Party. The Republican right wing has also contributed vigorously if unintentionally to this end, and shows no sign of ceasing from its independent and disgruntled ways. And yet even the Republican bitter-enders know in their hearts that no currently visible Republican except Mr. Eisenhower could be elected President in 1956. This hard core of the Republican right is not large, but it has great seniority and power in the party's legislative councils. It disagrees with the President on many issues. The Democrats now in legislative power are predominantly southern. They tend to be internationalist, pro-farmer, middle-of-the-road or conservative on many domestic issues, and advocates of states' rights on racial issues. In all except the last category, they are in ample accord with the President.

The political future, therefore, indicates a reasonably successful legislative season. The President will probably get his trade agreements authority extended for three years without trouble. His highway building program,

which
the pa
more
South
relativ
into g
The
subver
Repub
Senat
unhap
Deme
Repu

AS
must
at \$2
Dep
tax c
taxes
taxes
T
son
cut
are
The
He
and
of
mo
tro
sub
for
ex
a s
Co
co
the
wi
mi
bo
ve
in
w

which bears a close resemblance to Democratic public-works proposals of the past, should also be enacted. The budget ought to go through with no more than the usual chopping and changing. The pacts of Paris and the South East Asian security treaty will probably be ratified in due course with relatively little trouble. The defense treaty with Chiang Kai-shek has run into greater criticism but will probably be ratified in the end.

The President will be forced to revise his domestic security and anti-subversive policies. The tide has turned. Democrats will dig deeply into Republican campaign claims about the numbers of subversives discharged. Senator McCarthy is successfully barred from power and authority. An unhappy period in American history appears to have passed. Now it is the Democrats who are doing the investigating, and they will turn over every Republican stone they find.

The Quest of Economy

AS to the budget, the Administration bases its calculations on good business activity, and most analysts agree on the prospect. The business upturn must be not merely good, but strong, in order to keep the prospective deficit at \$2,400 million. The emphasis is on economy all along the line. The Treasury Department believes that taxes are too high for fiscal soundness, and that tax cuts should have priority as soon as a budget balance is feasible. Federal taxes now take about 25 per cent of national income, and with state and local taxes the total becomes about 32 per cent.

The major economy proposed by the President is in the Army. Its personnel must be reduced by over 25 per cent in the next eighteen months. The cut is severe, and Congress may not agree. Among the Democratic leaders are many who support the Army and fear for security if cuts go too deeply. The President believes that events have made large ground forces obsolete. He feels that there is a stalemate in atomic weapons between the free nations and the Communist Powers, and that to cope with smaller "brush-fire" types of war the best the United States could provide would be small, swiftly mobile forces of marines or soldiers to be ferried by air to support local troops. Europe is protected by N.A.T.O., runs the Washington thesis. A subversive thrust in South-east Asia could best be met by small mobile forces. Large-manpower American involvement on the Asian mainland is excluded, both because of its immense cost and because the President believes a smaller task force should be adequate. The use of major forces by the Communists would precipitate atomic war, and the President believes the consequences of atomic war are too grave for either side to undertake. With the reduction in American forces there will be greater disparity than ever with Russian armies. But this does not disturb the President. And the U.S. military budget contains plenty of funds for interceptor aircraft, heavy bombers, new warships, guided missiles, electronics, and research and development.

Moreover, the new budget contains larger amounts for foreign aid than in the current year. New appropriations are recommended at \$3,500 million which, with money already appropriated, would raise the total to \$4,700

million compared with \$4,300 million in the fiscal year. Of the new sum, about half would go to Asia. Whether Congress will agree is uncertain. But the Administration's program, at least, includes this large projection of economic aid—a major peace-building factor.

Flurries in the South

THE recent flurries in Panama and Costa Rica, following the Guatemalan overturn, have emphasized the continued instability of Central America, where social needs and discontents could feed either Communism or a more dangerous form of authoritarianism than usually prevails. But there is one bright spot. The Organization of American States, a regional grouping existing with the blessing and under the Charter of the United Nations, has proved quite effective. In the attack on the excellent and hopeful Costa Rica régime by rebels supported from Nicaragua, the O.A.S. went into action within twenty-four hours, sent an investigative commission to the scene of the trouble, and brought great pressure of inter-American public opinion and governmental policy to bear. Uncle Sam had relatively little to do with the peace-making, a very happy state of affairs for all concerned.

The six Central American countries are really too small to have effective economies and national stability. They have snapped at one another since they achieved their independence over a century ago. The Organization of *Central* American States hopefully seeks to bind them into a sort of loose federation, but there are great difficulties in store before any such result can be attained. The assassination of President Remon of Panama was a serious blow at stability. The attack on Costa Rica could have had serious consequences, for that country is the most enlightened and advanced in the area. If the new Guatemalan régime gains genuine strength and authority, it might give leadership to the group. But on the whole, the situation has improved through the crises of the last six months.

It will be seen that the United States under the Eisenhower Administration is seeking to stabilize itself and its place in the world for the long pull. With the great effort to improve relations with China, a major contribution to the removal of friction is being attempted. The United States Government hopes for peace, expects peace, not without tension and strain, and is seeking to adjust its present burdens and responsibilities so that it can bear them for the indefinite future.

United States of America,
February 1955

A NASCENT DOMINION

AFRICAN SELF-GOVERNMENT IN THE GOLD COAST

LAST year's elections in the Gold Coast have brought the country to the last stage before it will bid for full self-government within the Commonwealth. No one can say exactly when this will happen: but, broadly speaking, the principal phases in Gold Coast constitutional development have taken place at roughly three-yearly intervals.

The present constitution was worked out with a singular absence of acrimony and with the maximum of consent. The negotiations which led up to it stem from the visit of the Secretary of State, Mr. Oliver Lyttelton, now Lord Chandos, in mid-1952. He then agreed with Dr. Nkrumah, the Prime Minister, to entertain proposals for a constitutional revision. Dr. Nkrumah consulted all bodies of opinion in the Gold Coast: from their collated views proposals were sent forward to the British Government which were accepted with very few amendments, the most significant of them being the rejection of an application for transfer from the Colonial Office to the Commonwealth Relations Office. The present Gold Coast Government is all-African. The members of the single-chamber legislature were chosen by direct election throughout the country and British Togoland. A cabinet was formed of the majority party, the Convention People's Party, in the normal way, with Dr. Nkrumah at its head. In all general and unreserved matters, therefore, the Gold Coast is already a self-governing colony led by the elected representatives of the people.

In order to make this system possible, a new and ingenious device has been introduced in the shape of a Deputy Governor, Mr. Gordon Hadow, with his own secretariat. The Deputy Governor handles all reserved subjects, such as external affairs, defence and internal security. The outcome of this arrangement is that the African Ministers are left to handle freely a vast preponderance of subjects which appertain to them, while the few that do not are conveniently sluiced off into the Deputy Governor's office. Like so many British constitutional innovations this is an *ad hoc* expedient and one which may come to be adopted much more widely in the colonial Empire.

The civil service has also been taken out of the run of ordinary politics by the establishment of a Public Service Commission of which at present the Chairman is a European, with two African colleagues. The judiciary is largely Africanized, although the Chief Justice is still a European.

Although there has been this overt separation of functions, in which the vast majority appertain to the African, as opposed to the residual British, Government, this does not tell the whole story. The African side of the picture must also be filled in by reference to the existence within it of a civil service still largely British. This arrangement has hitherto worked supremely well, the co-operation between African Ministers and their British "permanent heads" being excellent. This is an exercise not in politics but in

personal relations. Undoubtedly the efficiency of the Gold Coast Government rests on its maintenance. It is, however, a relationship threatened by every sort of external danger. There is the psychological sense of lingering colonialism which it engenders. There is also the barrier it affords to lucrative employment for Africans. The pressure for speedier "Africanization" of the service is therefore strong from political sources. This pressure in turn breeds distrust and resentment among British civil servants. The result is that policy wavers backwards and forwards. Speedy Africanization of the service is in fact hard to accomplish because in the first instance most of the likely candidates for promotion are senior clerks. But a senior clerk is himself the most vital cog in the administrative machine and takes years to train. The first stages of "Africanization" therefore tend to consist of what in the mechanical world is known as "cannibalization"—the borrowing of the parts of one machine to repair another before any proper spare parts are at hand. Thus there have been times when all the pressure has been to clear the Gold Coast of British civil servants as soon as possible; followed by reactions when desperate efforts have been made to retain and recruit them. It is often said, by Africans, that what they really need to retain is the technician, and that the pure administrator can be readily dispensed with. Superficially this appears an attractive solution, but it is really an over-simplification. In some respects the administrator is the most skilled of all technicians; and there is also the fact that technicians themselves are unlikely to stay unless they are satisfied that they are backed by an efficient administration. The solution of the conflict is a race against time. The more real power is devolved on the African, the less sense of inferiority does he feel about the retention of Europeans to do jobs for which he is not yet equipped. If the position in the Gold Coast can be kept balanced, with devolution of power not overtaking dissolution of the British service too fast, then an efficient Gold Coast service can be evolved. If not, the dangers are obviously great. This is really the crucial practical point about the success of the Gold Coast experiment.

A Mixed Record

THE achievements of the Gold Coast Government since 1946 are mixed. At that time a predominantly African Government was formed, but it still retained three British key ministers in the Cabinet, while the assembly was elected for the most part indirectly and retained a certain number of seats for chiefs and even European representatives of business interests. The great advantage which this Government had over its predecessors was that it was enabled to enlist the support of the people of the country in a way in which the immediately preceding administration was not. Undoubtedly the outstanding success of this Government—also led by Dr. Nkrumah—was its success in combating "swollen shoot" disease in cocoa trees. The Gold Coast depends to a large, and indeed a dangerously large, extent for its wealth on the export of cocoa, grown by peasant farmers. The cocoa trees had for long been afflicted by a baffling disease known as "swollen shoot", which had not only exterminated cocoa throughout large tracts of the country

but threatened to spread all over it. The British Government had long maintained that the only known means of dealing with this disease was by the cutting out of trees at as early a stage of the infection as possible and even when they were still capable of giving a high cash yield. This naturally aroused the opposition of the farmers, especially when it was made compulsory. The nationalists made it a political issue: and when an African Government came to power they tried to control the disease by propaganda, by the offering of rewards, and by hopes of new methods of chemical treatment. They were driven to realize in due time that this was impossible and did a courageous *volte-face* by the reintroduction of compulsory cutting out. The point to be noted is that this policy, introduced by an African Government, and suitably clothed in words, was successful where, when introduced by a colonial one, it met with the fiercest opposition.

The C.P.P. Government has not been so successful with its educational policy. Previously the nationalists had always been at odds with the government Education Department over the nature and speed of advance of education. The Education Department had persisted in building up by steady methods; the nationalists had countered by setting up a chain of independent schools which not only gave an inferior education but also were suspect to the British administration, with very good reason, as being principally political in intent. The advent of the 1951 constitution enabled C.P.P. leaders and the Education Department to join forces. They had the financial advantage of the continued boom in cocoa prices and the willingness of the Government to allocate lavish percentages of revenue to educational purposes. They therefore set out to introduce universal primary education into the two southern regions of the country (recognizing that the backward Northern Territories constituted a special problem). The educational programme has run into grave difficulties, since money and organization alone cannot provide teachers and schools. Here the Gold Coast may need *reculer pour mieux sauter*.

A third important matter which still awaits an answer is the vast Volta river scheme. This is a complicated project for hydro-electric power, irrigation and the production of aluminium, which involves the building of dams, railways and harbours. The real profit content in the scheme lies in the production of aluminium from bauxite. Some of the ancillary portions of the necessary works, such as the building of a harbour at Tema, which will be needed whether or not the power scheme goes through, have been started, but no decision has yet been taken on the main project. The Volta river scheme is desperately needed by the Gold Coast if it is ever to have any financial alternative to excessive dependence on a single agricultural crop, namely cocoa. But the history of the negotiations constitutes an almost classic example of the conflict that exists in backward territories between the demands for independence, both political and economic, by the peoples of these territories themselves and demands for security by potential investors. The Volta River scheme needs for its completion not only money from Britain, which would probably be forthcoming out of goodwill alone, but also from Canada, whose technical skill is necessary to process the bauxite.

The negotiations have been dogged by the suspicion on the part of the Gold Coasters—who would themselves invest heavily in the scheme—that “strings” are attached to the external loans, and by the fear of the investors of involving themselves at some future date in an Abadan. With this coyness on both sides, British officials who have been trying to hold the two sides together have had no easy time. The device was adopted of appointing an independent special commissioner, to study all the problems associated with the launching of a scheme of this magnitude, in the hope that he might allay African suspicions and convince all parties that aluminium will be produced at a competitive price. Until the special commissioner’s report is made, the Volta river scheme must hang fire.

Need for an Opposition

ESSENTIAL to the establishment of a free democracy in the Gold Coast is the building up of a steady parliamentary opposition. There have been fears, not unfounded, that the C.P.P. might grow into one of those omnipotent, monolithic organizations, surrounded by the trappings of hysterical and unquestioning support and *führer prinzip*. Others, well qualified to judge, have always maintained that such an outcome is fundamentally foreign to the African temperament, which is critical, realist and given to a sense of the ridiculous. The history of opposition parties in the Gold Coast has in fact been precarious but interesting. The present C.P.P. is a majority breakaway from an older nationalist movement, the United Gold Coast Convention. In the 1951-4 Government the rump of U.G.C.C., consisting of men who were extreme nationalists *vis-à-vis* the British administration but conservative in internal politics, formed the nucleus of the opposition. They were ably led by Dr. Danquah, and gathered round them chiefs and independents, such as Dr. Busia, so as to form an effective opposition group in the assembly. Nobody, however, imagined that this group could ever command much support in the country, and so, in the event, the elections proved. Standing as the Ghana Congress Party, they won only one seat, that of Dr. Busia, who was elected, curiously enough, while he was absent abroad.

A new type of opposition did, however, emerge, and this was a regional one. The Northern Peoples’ Party obtained 12 seats and the Togoland Congress Party 3. This may not be a healthy type of party; all that can be said is that it is better than no opposition at all. It foreshadowed a trend which has now spread into Ashanti with serious repercussions, and which in the case of Togoland might lead to complicated international issues which are outside the scope of this article. In addition, 10 independents were elected and 5 C.P.P. “rebels”. These were self-appointed C.P.P. candidates who had not the party nomination. At one time they looked like being a larger element, but party discipline proved strong enough to counter the threat. One point which deserves notice is the absence of any Communist candidates. It has often been said that if Dr. Nkrumah ever has any serious opposition it will come from the left. Hitherto it has certainly failed to emerge. One reason is of course that the C.P.P. satisfies all the present aspirations of the

Gold
elect
same
expr
Com
Nkr
inclu
from
men
that
Nkr
wato

A
is a
Her
as t
cult
wit
suc
civi
Asi
ans
tha
thi
ano
col
is s
It a
pre
dis
cas
hip
for
alo
tic
br
th
fe
re
cr
ba
T
cl

Gold Coast, which are simply for national self-government. In this sense the elections were artificial, in that any opposition was bound to strive for the same goal, the only possible exception being parties which were essentially expressing an even narrower, regional, nationalism. This is not to say that Communism does not exist in the Gold Coast. There is enough of it for Dr. Nkrumah's Government and party to have had to maintain drastic measures, including censorship of incoming literature and expulsions of individuals from the C.P.P. Communism is to be found mainly in the trade-union movement. It is or has been fostered by certain Europeans. The fact is, however, that it is irrelevant to the present situation in the Gold Coast and Dr. Nkrumah does not therefore have to do more at the present stage than watch it.

Menace of Corruption

A MUCH more serious threat to the Gold Coast than internal Communist disruption, which exists largely as a bogey in the minds of reactionaries, is a progressive lowering of standards, both of rectitude and of efficiency. Hence the great prominence given recently to alleged corruption cases such as the Braimah inquiry. Here the Gold Coast is up against a very real difficulty, which has to be considered from several aspects. There is to begin with the fact that the British civil service has set a standard of incorruptibility such as has been equalled only in Britain itself and in the pre-1914 Prussian civil service. It would certainly be regarded as unattainable in many Latin, Asian or American countries. Can Africans be expected to imitate it? The answer of the older generation of British colonial administrators would be that, if we have not taught them that, we have taught them nothing. Against this high standard of conduct set must be opposed ordinary African tradition and custom, which rests largely on the gift and the "dash", and which colonial administrators have always in fact recognized and connived at. This is something different from corrupt practice, but easily convertible into such. It arises probably from the communal nature of African tribal society, which precludes the existence of salaried officials. If an elder is called in to settle a dispute, he takes his reward by way of a gift from both litigants before the case is heard. It fits well enough into the context of tribal society, but is highly dangerous when applied to an African Minister awarding contracts for a new road. Where can the line be drawn? It is hard for a European, let alone an African, to see. All that can be said is that some of the sums mentioned in the Braimah report were a bit large for "traditional gifts". This brings us to a third point, which is the immense gap which exists between the European and the African economy. In the past it was crossed only by a few Gold Coastlers, and these were learned men in the law, or in academic research, who more or less adopted a European outlook once they had crossed it. Now Africans are hitch-hiking across it in dozens on the C.P.P. bandwagon and they find the adjustment very hard to make all of a sudden. They are followed by the outstretched hands of their many relations and clansmen, all claiming, as of right, a share in their new-found success and

prosperity, a claim which is often tacitly acknowledged by the African *arriviste* himself and certainly by African society as a whole. Indeed this obligation to mutual aid is a fine trait in African custom and in many of its aspects cannot but excite admiration. Only, it is out of context in a society struggling to become a modern democracy; and it immensely increases the pressures towards yielding to temptation in matters affecting the public service. This much, however, can be said. The Gold Coast recognizes the danger. It has set up inquiries where cases have come to light. Its leaders have done their best to stigmatize individuals who have been proved corrupt. It may be that sometimes punches have been pulled. It may be that the uninstructed electorate have sometimes reversed the verdict of their leaders. It is something, however, that the public conscience is troubled: that the Gold Coast does not merely accept, with a shrug of the shoulders, a deterioration in public morals.

Retrospect and Prospect

THE Gold Coast has come a long way since the march on Christiansborg Castle in the spring of 1948. During the ensuing three years it surmounted what was a real threat of a rupture between the people and the administering power, leading to a revolutionary situation and stultifying any efforts at constitutional advance. After the C.P.P. Government took office in 1951, it surmounted the dangers of a breakdown attributable to lack of experience on the part of the African leaders or inability of them and the British administration to co-operate. The Gold Coast is now passing rapidly out of the phase when relationship with the British power is the main issue. Here one final step remains to be taken, the acceptance of the Gold Coast as a fully self-governing member of the Commonwealth. This must have been discussed at the Commonwealth Prime Ministers' Conference at the end of January, since it may well be that a decision has to be taken before another such conference is convened. The Gold Coast will certainly accept no second-rate status nor any arrangement leading to the creation of a "two-tier" Commonwealth. The best that could be hoped, if the Commonwealth were to reject full dominion status, would be that it should become an independent republic outside the Commonwealth on the lines of Burma. But once the relationship is settled, and has ceased to be the activating political issue within the country, many other tasks, some of which have been indicated in this article, remain to be tackled. A department of external affairs, for instance, must be trained. With this end in view, an official is being sent out from the Commonwealth Relations Office. The C.P.P. has hitherto concentrated on the political "revolution"; it still has only touched the fringes of the social one. That is the question of how, or when, an opposition will emerge, or whether the C.P.P. will simply develop into a paternalistic one-party government. Finally, there is the working out of the relationship between the central government, situated in Accra, and the provinces and region of the interior, where the present symptoms of restlessness are in some measure a reaction against the over-centralizing tendencies of the C.P.P. Government.

This issue has already been brought to a head by the so-called National Liberation Movement in Ashanti, which wants the British Government to set up a commission of inquiry into the possibility of establishing a federal constitution of which Ashanti would be a unit. The precise aims of the movement have not been defined, but they are easy enough to conjecture in the light of centrifugal tendencies in Nigeria and Uganda. The movement has support from the Asentehene and many of the chiefs, who feel their position threatened by the C.P.P. It received much wider support when the Gold Coast Government unwisely pegged the price of cocoa at 72s. a load when the world price was about 200s. and even Nigeria was paying 107s. The balance goes in part to the Cocoa Marketing Board, by whom it is no doubt put to excellent use in the interests of the cocoa farmers, and in part into general revenue whence it is to be used to finance the Government's many development schemes, including the Volta River project. But to try to maintain so wide a gap between world prices and the price paid to the producer was grotesque and inevitably rallied the Ashanti farmers, who grow most of the cocoa, to the dissident Ashanti movement. Dr. Nkrumah has hitherto shown himself conciliatory to its leaders, but there is no doubt that the handling of Ashanti, where there have already been outbreaks of violence, will put the new Gold Coast Government severely to the test.

UNITED KINGDOM

SIR WINSTON'S TRIUMPH

IT would scarcely be an exaggeration to say that Sir Winston Churchill's eightieth birthday, which was celebrated on November 30, found him at the zenith of his peace-time career. Throughout most of the summer the probable date of his retirement was a recurring subject of speculation. On it seemed to hang not indeed the future of the Government's policy (for the Government had preserved for some time a surprising appearance of unity and for many months the succession had seemed to be uncontested) but, at least, the personal prospects of a large number of government supporters who were chafing under the restraint of repeatedly deferred promotion. No radical reorganization of the Cabinet, it was generally assumed, could precede the Prime Minister's resignation, for he would be unwilling to prejudge Mr. Eden's decision. In late October, however, a reconstruction took place, and one which could not be entirely explained by the need to fill the two vacant places caused by the withdrawal of Lord Simonds, the Lord Chancellor, and Lord Alexander of Tunis, the Minister of Defence, who at 73 and 63 respectively sought a release from the burdens of public life which the Prime Minister humanely but reluctantly conceded. It was now clear, or as clear as any guess about Sir Winston's intentions is permitted to be, that he proposed to stay in office long enough to justify at least an elaborate reconstruction of his Government, and one which would remove for some time the main reason of criticism of his continued tenure—that it stood in the way of the legitimate expectations of younger men.

The main features of the reshuffle were the accession of Sir David Maxwell Fyfe to the Woolsack, and that of Mr. Harold Macmillan, formerly Minister of Housing and Local Government, to the Ministry of Defence. Mr. Macmillan's appointment was indeed almost expressly an interim arrangement: no one doubted that when Mr. Eden (now Sir Anthony as a result of the award of the Garter) became Prime Minister, the new Minister of Defence would go to the Foreign Office to meet tasks for which these more immediately martial pursuits might be an excellent preparation. Nevertheless, it would hardly have been worth while transferring him at all, in spite of the virtual completion of his triumphant work at the Ministry of Housing, had not Sir Winston intended to stay for some time. Sir David Maxwell Fyfe, by becoming Lord Chancellor (with a peerage as Viscount Kilmuir), attained what had for long been the most probable climax of a distinguished career of legal and political service. There was a time not long ago, when his success in holding a largely working-class seat in Liverpool by the exercise of talents of persuasion which are not normally supposed to carry weight with the popular electorate, led many to see him as a possible future Prime Minister; but it is doubtful either whether his own tastes or the formidable competition of the three colleagues, Sir Anthony Eden, Mr. Butler and Mr. Macmillan, who are generally regarded as being in the line of succession, ever allowed this to be a serious possibility.

Apart from these, the principal changes were the appointments of Mr. Nigel Birch, one of the most solidly distinguished of the post-war generation of Conservative politicians, to the Ministry of Works; Mr. Osbert Peake to the Ministry of Pensions, where he was given Cabinet rank (an ominous sign of controversies to come); Sir David Eccles to the Ministry of Education and Mr. Duncan Sandys to the Ministry of Housing. The whole effect was greatly to strengthen the Cabinet, and to give the most astonishing demonstration in recent years of the Prime Minister's resilience.

The month preceding his birthday provided a glittering succession of presents from fate. The Labour Party's hopes of wresting West Derby, Lord Kilmuir's old constituency, from Tory clutches were sharply disappointed by the return of the Conservative candidate with an increased majority. Looking back over the session about to end, Sir Winston could see a record of unostentatious labour competently sustained. The Government had passed into law useful and complex measures like the Housing, Rent and Repairs Act; the astonishing flutter provoked by its Bill for the introduction of commercial television had quietly subsided, though at the cost of an Act so modified as to give entire satisfaction to nobody; Sir Anthony Eden, by means of a brief tour of Western Europe which had had on perplexed continental governments something of the moral effect of a celestial visitation, had rescued the idea of European union from the complete débâcle which it seemed about to suffer; to crown all, the Labour Party ended the session in a state of internal dissension more ridiculous if not more profound than any which it had suffered for a long time. As Sir Winston prepared for his anniversary, the Parliamentary Labour Party's executive was absorbed in the operation of withdrawing the Whip from seven recalcitrant members who had refused to abstain from voting on the issue of German rearmament; six of them had to be pilloried for voting against the Government, and one for voting for it, an admirable illustration of the qualities of straightness and narrowness which distinguish the Radical path to salvation, but one which lent itself to parody. At the same time the executive of the Labour Party was obliged to rebuke a number of members of the editorial board of the weekly *Tribune* for attacking official policy. In neither case was it found possible to administer chastisement behind closed doors; on the contrary, the party engaged in a bitter public controversy not only about what to do in matters of high policy but also about what to do with those who would not do it. For Sir Winston, it may be presumed, the spectacle was exhilarating.

So it was that he arrived, on the very day when, with ancient ceremonial, the Queen reopened Parliament, at the completion of his eightieth year. A cheque for £150,000, an advance token of the funds being raised from among his admirers in all countries, a book signed by all members of the House of Commons, with the exception of a handful of conscientious abstainers from the Opposition, and a television programme in his honour, were only a few of the marks of a joyful occasion never paralleled in the biographies of British statesmen.

The Queen's Speech promised a continuation of the sober legislative fare which the Government had provided in the last Session. Plans for road safety and slum clearance were characteristic items. Otherwise the principal

ingredient was the promise of a Bill, which the Government was already pledged to introduce before Christmas to improve pensions. No mention was made of the House of Lords, but Lord Salisbury indicated in the New Year that the Government would make another attempt to obtain agreement on a plan of reform. After many failures, the prospects of such an agreement cannot be rated very high, for though the Opposition may co-operate in a scheme to modify the membership of the House the Labour Party are resolutely opposed to the restoration of any part of its lost powers, which were crippled by their own legislation seven years ago.

The Pensions Controversy

THROUGHOUT the summer the Opposition, with the support of various bodies concerned with safeguarding the interests of the aged, was engaged in a campaign for increasing retirement pensions, which were alleged to have fallen far below their intended value as a result of the rise of prices. The campaign reached its peak in November. Stories were widely circulated of the tragic condition of old people obliged to eat Oxo cubes for their Sunday dinners, and it was suggested that if the pensions could not immediately be raised many of them would die before the winter was out. From the outset, the discussion was blurred by a confusion between retirement pensions, granted as one of the benefits of National Insurance, and the auxiliary payments made by the National Assistance Board to people who, even with the aid of a full retirement pension, were held to be unable to live at the officially recognized level of subsistence. The Opposition pressed for an increase in retirement pensions, but made no proposals for raising National Assistance, an operation which anyhow depended on the recommendation of the National Assistance Board, a body independent of politics. To raise pensions without raising assistance would simply have been to transfer the poorest old-age pensioners from one source of income to another without at all improving their position. Furthermore, any increase in old-age pensions would involve an increase in national insurance contributions, a measure which was likely to prove unpopular.

The Government had for some time been committed to a general review of pensions, but the subject was fraught with financial as well as political difficulties. The finances of the National Insurance system had never recovered from the initial decision, taken in defiance of the advice of Lord Beveridge, to grant full benefit to persons who became 65 immediately after the introduction of the system, having made virtually no contribution to the funds intended to finance payments. As a result, a vast deficit had accumulated and it was clear that the scheme could never become self-supporting. The gradual increase in the age of the population and the knowledge that an increasing proportion of it was already included in the providential schemes run by private employers, and therefore received substantial payments in addition to those provided, without any means test, by the State scheme, made it seem desirable that the whole structure of pension policy should be systematically and expertly examined. The Government therefore wished to await the findings of a number of officials and bodies, notably the Govern-

ment A
howev
by-ele
that th
holdin
Oppos
This v
ing, th
resolv
pass i
payme

Ear
ment
marri
widow
raise
into c
in N
nons
indif
Gov

TH
stren
grea
long
and
circ
wor
who
fou
who

S
Tra
on
wa
Al
W
gr
res
fu
de
in

be

ment Actuary, whose reports were shortly expected. The Opposition elected, however, to make the pensions question the main issue in the West Derby by-election, a contest which the Government was resolved to win, believing that this was the sort of constituency which it must prove itself capable of holding if it were to be able to face a general election with confidence. The Opposition demanded that pensions should be raised before Christmas. This was clearly administratively impossible, but, with West Derby impending, the Government, after much rumoured dissension inside the Cabinet, resolved (it was widely said at the instance of Mr. Harold Macmillan) to pass into law before Christmas a measure which would provide for increased payments in the spring.

Early in December, accordingly, a Bill was introduced, raising the retirement pension of a single person by 7s. 6d. a week to 40s. and that of a married couple by 11s. to 65s. Corresponding increases in disablement and widows' pensions were made and the rates of the weekly contributions were raised to help to finance the new expenditure. The measure was not to come into operation until February, and it was to be followed in April by an increase in National Assistance benefit, without which the Bill would have made nonsense, and which the National Assistance Board, in spite of its statutory indifference to politics, had fortunately felt moved to recommend when the Government's Bill was announced.

The whole incident seemed strikingly to illustrate three points: the strength of the Opposition when it could identify itself with the idea of greater public generosity, the ability of the Government to hold its own so long as it could appear to be at least as open-handed as the Opposition, and the immense cost in public money of winning a by-election in these circumstances. Many Government supporters felt that they had cause to wonder once again whether office might not be bought at too high a cost, or whether any combination of frankness and subtlety not yet tried might be found to keep the Conservative Party in power at some smaller cost than the wholesale adoption of its opponents' policies.

Railways

SIMILAR points were raised by the other main domestic controversy of the period under review. After nine months of negotiation the British Transport Commission agreed in October with the principal railway unions on increases in the wages of most grades of railway workers.* The agreement was a compromise, the unions having to modify their original demands. Already by December it was clear that they were not satisfied with the result. While continuing to receive the larger wages which their members had been granted, the unions revived their original demands. Negotiations were resumed, but the British Transport Commission held that it could make no further concession without breaking its statutory obligation not to incur deficits on current expenditure which it had no reasonable chance of repairing within a foreseeable period. The Government announced that it would

* The wider implications of this dispute and its settlement are examined in an article beginning on p. 138.—*Editor.*

not come to the rescue by providing a subsidy to enable wages to be increased. The unions responded to all this by announcing that if their demands were not met they would call a national railway strike on January 9.

Faced with the prospect of the complete dislocation and serious economic loss which such a strike would cause, the Government appointed a special Commission of Inquiry to report on the facts of the case and to make general recommendations. This Commission, set up under the authority of the 1919 Industrial Courts Act, was not a court of arbitration; technically, it was not even concerned to find a way out of the dispute; in theory, its object was to inform the Government and public opinion of the facts and to shed impartial light on the issues they raised. It met, however, in circumstances of the greatest possible urgency and its interim report, published after only three days, was plainly directed in its every sentence towards the single object of stopping the strike. It distributed its criticisms with mathematical equality between both sides to the dispute, condemning the National Union of Railwaymen and the other unions for threatening to strike after an agreement had been reached, but rebuking the Transport Commission for having taken refuge in its alleged statutory obligations from the duty to consider whether wages were fair by comparison with those received in other industries. It went on to assert the extraordinary principle that having willed the end of a nationalized system of transport, the nation must will the means. In so far as this piece of grandiloquence could be assumed to have a meaning, it appeared to most people to mean that if workers in nationalized industries could only be induced to work by receiving wages which those industries could not pay, the State must, in some form or other, foot the bill. Although the Government never publicly stated that it had accepted the findings of this Commission of Inquiry, the notion that it had was allowed "to get about", a process which plays an increasing part in the mechanism of politics, and the Transport Commission responded at once by accepting the unions' demands. General Sir Brian Robertson, its Chairman, accepted the inevitable with resignation, remarking, before he left for a skiing holiday, that where the money was to come from "is not my business". Theoretically, it was not the Government's business either, and the official view continued to be that the dispute had been one between an independent public corporation and its employees, and that the parties concerned must take responsibility for the terms on which it had been closed. It was none the less clear that all the Government's influence, amounting to virtual dictation, had been used to make the Transport Commission yield, and that, in some form or other, the State would eventually pay.

The controversy focused attention again on the perennial question of railway finance. It was widely felt that a permanent solution could only be found by getting rid of the assumption that the railway system, in spite of being economically indispensable to the country, must always be a financial liability. It was felt that the time had come for the Transport Commission to show some enterprise, and for the unions to make some serious effort to enable the problem of redundant labour to be attacked. On the morrow of the wages settlement, the Transport Commission produced an elaborate scheme of reorganization, including the closing of some lines and a general conver-

sion t
in fift
For t

A
bewil
an ac
wealth
to Fe
defer
which
raised
as a
lic bu
qués
So
Con
left
ful
prac
inte
evid
and
the
dis
poli
incl
Me
adv
infl
?
dec
use
def

P
de
rec
of
fu
th
be

sion to diesel or electricity, which it was estimated might make the railways pay in fifteen years provided that the co-operation of the unions was forthcoming. For the purposes of this scheme, large borrowing powers were demanded.

The Commonwealth Prime Ministers' Conference

AFTER the settlement of the railways dispute, attention was rapidly switched towards the arena of foreign affairs. Increasing and somewhat bewildered preoccupation with the implications of nuclear warfare was given an added and menacing point by the crisis over Formosa. The Commonwealth Prime Ministers' Conference, which met in London from January 31 to February 8, passed under review the general problem of Commonwealth defence, the particular defence problems of those Commonwealth countries which belong to the South East Asia Treaty Organization, the urgent questions raised by the Far Eastern crisis and the economic state of the Commonwealth as a whole. It took note of the fact that Pakistan was about to become a Republic but wished to remain a Member of the Commonwealth. At its end, *communiqués* were issued recording a large measure of agreement on all these matters.

So far the story is familiar; yet those who followed the proceedings of the Conference most closely and talked most fully to the visiting statesmen were left with the unanimous impression that this had in fact been the most successful of all Commonwealth Conferences. It was noticed in particular that the practice of splitting up into groups for the discussion of matters of regional interest had been used with uncommon skill; for the first time, there was evidence of a close and warm relationship between Sir Winston Churchill and Mr. Nehru, and, though the most contentious internal dispute within the Commonwealth, that between India and Pakistan over Kashmir, was not discussed, the differences between these two governments on the issue of policy towards China were less pronounced than hitherto, Pakistan being less inclined to demand the uncompromising rejection of all China's claims. Mr. Menzies, known at previous conferences chiefly as an able and pugnacious advocate, emerged in the rôle of an elder statesman and exercised considerable influence over the gathering.

The Conference did not end with any concrete, publicly announced decisions of major importance, but it was regarded in particular as a most useful preparation for the important United Kingdom White Paper on defence which was expected in mid-February.

Great Britain,

February 1955

NORTHERN IRELAND

EACH of the last two issues of THE ROUND TABLE recorded a daring attack by the outlawed Irish Republican Army on a British military depot in Northern Ireland, and the widespread apprehension that this recrudescence of violence for political ends might give rise to an outbreak of civil disorder on a more general scale. In the event there have been no further outrages involving the same degree of conspiracy and audacity, and the consequences of the second raid have been such that some hope has begun to be entertained that the leaders of this small but dangerously fanatical

movement may have defeated their own purposes. That is to say, that by shedding blood and invoking murder they have made clear to Ireland as a whole the futility of any but a peaceful approach to the partition question. Notwithstanding some over-patriotic resolutions from public bodies in the Republic, it is happily evident that the great mass of the population north and south have recoiled from the prospect of bitterness and strife that could so quickly lead to a re-enactment of "The Troubles" of the early 1920's.

The prevailing sobriety owes much to the spectacle of the law exacting its retribution against those who took up arms illegally. After the repulse of the raid on the barracks of the Royal Inniskilling Fusiliers at Omagh, Co. Tyrone, eight young men from Dublin and Cork were captured, convicted of treason felony ("intending to levy war against Her Majesty") and sentenced to terms of imprisonment of from ten to twelve years.

The trial at the winter assizes in December was distinguished by the admirably judicial conduct of Lord MacDermott, the Lord Chief Justice. His closing words threw into sharp relief the evils of the doctrine of hatred and violence that has marred the pages of Irish history; and addressed as they were beyond the confines of the Court can now be recognized as having been heard throughout the country. This was a judgment tempered by a wise understanding of humanity, for Lord MacDermott was moved to acknowledge that the accused did not belong to a criminal class, but were men who considered themselves useful and dutiful citizens and seemed to be unconscious of any sense of wrongdoing in having taken part in the foray into Northern Ireland and in the shooting of British soldiers. Therein, he said, was the real tragedy, and while such wrong-headedness existed it could only be hoped that wiser counsels would prevail and that leaders of Church and State, irrespective of creed or party, would denounce it strongly. Public opinion, deeply impressed by so earnest an appeal to sanity, was quick to welcome a response in a Christmas sermon by the head of the Roman Catholic hierarchy, Cardinal D'Alton. In this he called on young men not to join unauthorized forces and "not to have recourse to methods of violence in their eagerness to end the unnatural division of our country". Every true lover of Ireland, he said, should pray that Partition should end in an atmosphere of goodwill.

Thus two of the outstanding men in Northern Ireland have given expression to the desire of responsible people for the maintenance of peaceful relations, a desire also seen in the restraint of all parties at a moment fraught with no little peril. The Government, for its part, refrained from reintroducing its emergency powers and, although with the Service authorities it has taken appropriate precautions against further incidents, these have been so unobtrusive as not to disturb the everyday life of the community and to avoid any aggravation of feeling. The attitude of the minority has also been interpreted in very direct terms by the Attorney General, Mr. Edmond War-nock, Q.C., who is on record as saying that the great majority of Nationalists are opposed to the Irish Republican Army and its methods, and that the organization is finding it difficult to recruit in the north. It is also a pointer that men convicted of subversive activities and given clemency before the

expira
areas t
and th

Am
in the
has d
mattered
Royal
ful in
North
borou
two p
betwe

Wi
and
mom
mind
oppo
again
mind
Parti
them
their

So
Inde
roun
mer
the
gen
Cat
sine
Par
loy
sm
opi
any
the
ma
ho
is
eq
th
mi
qu
Ti

expiration of their sentences have not rejoined the I.R.A., and that in some areas there is a greater readiness to assist the police in the detection of crimes and the preservation of order.

Among Unionists, the strongest reaction has been against the Government in the Republic, whose failure to take positive action to suppress the gunman has dissipated some of the goodwill born of recent agreements on other matters of mutual concern. Its reluctance became the more obvious when the Royal Ulster Constabulary, in a blaze of publicity at Christmas, were successful in finding in Belfast two young children stolen from the streets of Dublin. Nothing could have been better calculated to prove the truth of Lord Brookeborough's words in Australia, where he is paying an official visit, that the two parts of Ireland must live as good neighbours. The lesson in co-operation between the police forces was certainly not lost on the public.

With characteristic courage Mr. Brian Maginness, Q.C., Minister of Finance and acting Prime Minister in Lord Brookeborough's absence, chose the moment to make one of the boldest of his attempts to liberalize the Unionist mind. In a speech in his constituency in Co. Down, where he has been bitterly opposed by the more unrelenting Protestant electors, he gave a warning against the negative thinking governing the attitude that the Nationalist minority must be "kept down". Nor was it enough, he said, to offer the anti-Partitionists good social services, wages and education. "We have to show them that our ideas are better than theirs, that our sense of justice is better than theirs, and that our ideas of the rights of the individual are better than theirs."

Sentiments like these are rarely heard from the official Unionist platform. Indeed, such an extension of the policy of improving material welfare all round cannot be said to command the explicit support of the more active membership of the party. But the possibility of its adoption would appear the greater for the rejection of friction and violence by the community generally, and also in the light of the continued growth of the Roman Catholic population. (The 1951 Census has shown an increase of 10 per cent since 1937 against 5.6 per cent for the rest of the population.) The Unionist Party organization has for more than thirty years safely based its appeal on loyalties; neither it nor its Orange wing will easily change to anything smacking of appeasement. Nevertheless another broad section of pro-British opinion less concerned with day-to-day political warfare has shown itself anxious to live at peace with its neighbours, and to minimize where possible the differences that still divide the people. How far this conciliatory view may be carried can only be speculative at present, but there is some cause to hope that, if internal security is not threatened and agitation from the Republic is not renewed, some effort may be made to convince opponents who are equally moderate that Northern Ireland within the United Kingdom offers them more than an all-Ireland Republic. There is, in fact, some evidence that middle-class Nationalists are already fully realizing the advantages. The question goes to the heart of the Ulster problem and its fuller discussion in THE ROUND TABLE must await a later opportunity.

Northern Ireland,

January 1955

IRELAND

THE GUN IN POLITICS

HISTORY, even in Ireland, has an unpleasant knack of repeating itself, as Mr. Costello, with dismay, has recently discovered. As Attorney General in Mr. Cosgrave's Government he played some part in breaking the power of the I.R.A., then as now bent on creating chaos. The subsequent history of this sinister organization is very pertinent to his present situation and must be recalled.

When Mr. de Valera returned to power in 1932 he proceeded immediately to release all the I.R.A. prisoners, to abolish the Military Tribunal, and to remove the ban on the I.R.A., then an "illegal organization". Thus started the now familiar process of "taking the gun out of Irish politics" by placating the gunmen. Within three years a series of outrages and assassinations, culminating in the brutal murder of Vice-Admiral Somerville, forced Mr. de Valera willy-nilly to take the same steps as Mr. Cosgrave; the Military Tribunal was re-established and the I.R.A. again declared illegal. From then until Mr. de Valera's Government fell in 1948 he remained master of the situation and hanged several members of the I.R.A. as and when it became necessary. As soon as Mr. Costello was returned to office as head of the first Inter-party Government he proceeded to repeat Mr. de Valera's original mistake. His first step was to release the existing I.R.A. prisoners. One of these was a certain Mr. Tomas Mac Curtain, who in January 1940 shot a detective officer in Cork, was convicted and sentenced to death, but reprieved at the last moment. It is perhaps not surprising to find that he is now once more a prominent member of the I.R.A. and a prospective candidate for an Ulster constituency. Not content with releasing the I.R.A. prisoners Mr. Costello proceeded to try and placate them further by severing our last attenuated link with the British Commonwealth. This step, he proclaimed, would "take the gun out of Irish politics, bring about unity and domestic concord in our lives and replace the symbol of the Crown by the symbol of the Republic", thus creating "a rallying point around which all sections of our people can unite". All these claims have now been proved false. The Republic of Ireland Act, far from "taking the gun out of Irish politics", was in fact a shameful surrender to the extremists. By making our Northern border permanent and international it gave the I.R.A., as recent events have proved, a permanent grievance and a fine excuse for violent attacks on the North. Mr. Costello himself gave indirect encouragement to such illegal acts by his further fatuous statement that he would never again take part in a Government that had to enforce order by extrajudicial processes!

Within two years of his taking office the I.R.A. resumed their sinister activities, declaring in a public statement that their primary object was a "successful campaign against the British army of occupation in Ireland". When Mr. de Valera again became Prime Minister in 1951 they wisely remained

dormant, but on Mr. Costello's return to power last summer they soon reminded him of their existence. On June 12 they made a successful raid on Armagh barracks,* followed on October 17 by the bloody and unsuccessful affray at Omagh,† in which several British soldiers were wounded and the I.R.A. sustained severe casualties. Eight of their number, left behind by their colleagues, fled into the surrounding countryside, where they were soon rounded up by the sturdy Ulster folk whom they had come to rescue from the British army of occupation! They were subsequently tried at Belfast, duly convicted of treason felony, and sentenced to long terms of imprisonment. Although Mr. Costello's Government may possibly have been amused by the Armagh incident, the Omagh affair was hardly a laughing matter. Here was something approaching a "Jameson Raid" directed against a neighbouring State without right or reason from the territory of the Republic. Clearly something had to be said, and no doubt something was said, by others, when Mr. Cosgrave, the Minister for External Affairs, visited London shortly afterwards. Lord Brookeborough, the Northern Prime Minister, intervened in a debate at Stormont when, in reply to previous statements by Mr. de Valera and Mr. Cosgrave that force would achieve nothing to end Partition, he declared that nothing would accomplish the unity of Ireland. Northern Ireland was, he said, part of the United Kingdom and the Commonwealth, and no matter what action anyone took it would remain so. Mr. de Valera, who invariably acts as spokesman on such occasions, then asked Lord Brookeborough if he denied the right of the Nationalist majority in Derry, Tyrone, Fermanagh, South Armagh and South Down to secede from Northern Ireland. To this Lord Brookeborough naturally replied that the boundary was settled by the freely negotiated Agreement of 1925. This Mr. de Valera refuses to recognize on the fantastic ground that he and his party at that time refused to sit in the Dáil and therefore had no part in the transaction.

Mr. Costello Protests

IT was obvious, however, that Mr. Costello could not remain silent in face of this armed threat to his Government's authority. He seized the opportunity presented by a debate in the Dáil, on a motion which proposed to give Northern M.P.s a right of audience, to make the Government's position clear. He denounced the use of force by minority groups to end Partition as "immoral, unchristian and likely to endanger the vital interests of the nation". The only authority, he said, to decide for peace or war is the Dáil. Those who believed in force must therefore obtain a majority for that policy *there*. Force, he declared, was no remedy, for it would only create an implacable minority. In these admirable sentiments he was supported by Mr. de Valera, who declared that given goodwill there could be a solution and that the perfect solution would be one Parliament for the whole country. The motion to admit the Northern members was defeated by 100 votes to 21. Some significant facts emerged from the debate. Mr. Costello gave no indication whatever

* See THE ROUND TABLE, No. 176. September 1954, p. 389.

† See THE ROUND TABLE, No. 177. December 1954, p. 96.

that his Government was prepared to take any effective step to stop these criminal attacks on Northern Ireland. The reason for this strange omission was made clear when Mr. Norton, the leader of the Labour Party and deputy Prime Minister, together with four of his colleagues in the Government, voted for the motion against the rest of the Government, thus showing that the Labour element in the Government would not support a policy directed to prevent further I.R.A. attacks on Ulster. The situation thus created is aggravated by the fact that the Minister for Justice, Mr. Everett, an insignificant trade-union official without any legal experience, is not likely to favour any attempt to stop the I.R.A. Mr. Costello appears when forming his Government to have overlooked the fact that in a modern State the Minister for Justice holds a key position. He is therefore in a dilemma which is largely of his own making, and the I.R.A. are well aware of his weakness. His Government have taken no steps against the men—known to the authorities—who recently incited some soldiers to remove arms from Gortmans-town camp nor have they done anything to stop the I.R.A. drilling and recruiting which is going on quite openly. Notices signed by one D. Mac Diarmada (D. Mac Dermot) as "adjutant general" of the I.R.A. constantly appear in the Irish papers. A recent issue of the I.R.A. journal, *The United Irishman*, which is printed in Dublin, gives the places where recruits can join that organization. The police and military are loyal to the State, and these illegal proceedings would soon be stopped if the Government meant business. Unfortunately no such action is to be expected and the I.R.A. will certainly not attract retribution by committing outrages within the Republic. They have in fact recently denied all responsibility for certain acts of black-guardism in different parts of the country, as well as for a clash which took place near the Border in County Tyrone on December 6, in which a Customs officer was seriously wounded when trying to stop some men engaged in gun-running. The I.R.A. are careful to point out that their "sole enemy is the British army of occupation in Ireland". It would therefore seem as if poor Mr. Costello had two private armies to deal with. The I.R.A. has added to the general confusion by publishing a statement of policy repudiating Fianna Uladh (Senator Liam Kelly's organization in Ulster), Mr. Sean Mac Bride's phantom party, and the Fianna Fail party, because these bodies are "not prepared to agree to a policy of abolishing both Irish Parliaments by force!"

The Church and the I.R.A.

AT present the I.R.A. are a relatively small body of at most a few thousand who could not return a member to Parliament in any constituency in Ireland, but if they are not dealt with firmly this position may easily and quickly change. Such is the sad condition of political life in the Irish Republic that this diminutive terror organization is permitted to dupe the young and to intimidate the Government by its spurious appeal to lofty ideals. The attitude of the Catholic Church to this criminal conspiracy has unfortunately been far from satisfactory. The Omagh raid presented a clear occasion for a firm and definite statement of the moral position by the Hierarchy, but no

such condemnation was forthcoming. As a result the General Council of the Irish County Councils, meeting in Dublin on December 16, actually passed a resolution congratulating the eight men who were sentenced to imprisonment at Belfast for their part in the Omagh raid. However, on Christmas Day Cardinal D'Alton, Archbishop of Armagh and Primate of all Ireland, a gentle scholarly man, at last broke this strange silence by making an almost apologetic appeal to young Irishmen "not to have recourse to violence, nor to join any unauthorized forces in their eagerness to end Partition". They should not, he said, by precipitate and irresponsible actions injure the cause to which they were devoted. "Precipitate" and "irresponsible" seem weak words to apply to actions which are clearly both criminal and immoral. The Church does not apparently realize, or is fearful to admit, that the I.R.A. is engaged in an attempt to destroy not only the rule of law in Ireland, but also the moral basis of society and religion itself.

Only one voice has been raised in the Republic to protest against the criminal conduct of the I.R.A., and that (characteristically enough) was the voice of an Antrim man, Mr. Ernest Blythe, the managing director of the Abbey Theatre. Having been a member of the original I.R.A. during the Anglo-Irish War and Minister for Finance in the Cosgrave Government, he has every right to speak and be listened to. At a public debate in Dublin on November 21 he said that British troops were in Northern Ireland as guests of the majority and that any attack on them was an attack at one remove on the majority there. The raids on the Armagh and Omagh barracks were, he said, against the interests of the nation, and the I.R.A. was a criminal conspiracy. Its members should, he claimed, be refused sanctuary in the Republic and handed over to the Northern Government who would give them a fair trial. If Mr. Costello had as much courage as Mr. Blythe the I.R.A. campaign would not long continue.

The Vested Interests

MR. COSTELLO'S troubles are not, however, confined to the I.R.A. He has also to deal with the various vested interests which control his Government. It is an unfortunate fact that our successive governments have had no definite social policy, that is to say no policy which envisages and provides for relationships of justice and charity between individuals, groups and society as a whole. Such a policy is the essence of social life in a Christian context. The absence of such an operative social concept, for the lack of which the Church is also responsible, is best illustrated by the unilateral policies of capital and labour, neither of which seem to admit any social obligation, while both of them carry out policies solely in terms of their own needs, with complete indifference to their social repercussions. A good example of this attitude is afforded by two current labour disputes. One of these concerns the banks, whose clerical staffs are working restricted hours in order to enforce their claim for an increase in salary.* The bank directors have offered to submit the matter to arbitration, but without avail. The truth

* It is interesting to note that the bank officials in Northern Ireland, although they belong to the same association, have not taken part in this "go slow" movement.

is that the banking business of the country could be efficiently carried on by half the number of the existing banks; and the resulting reduction in the number of directors, staff and premises would more than meet any increase in salaries that may be necessary. Yet no person in authority has suggested such an obvious solution, for too many vested interests are concerned. The other example is afforded by the bakery strike in Cork, where the operatives have struck because the bakers will not agree to a limitation on production and an alteration in the hours of work which would render delivery very difficult if not impossible. This dispute has lasted for some weeks, although the Labour Court decided that the claim of the operatives was quite unsustainable. Thus the economic processes of the country are upset, and the people of Cork left without an adequate supply of bread, because neither the bank clerks nor the bakers' operatives have any sense of their duty to the community. In short the only social concept we possess is that life is a "free-for-all" in which victory goes to the strongest and most ruthless—a concept entirely at variance with the social teaching of our Church. Irish governments are, however, only reaping what they have sown. Instead of following a national social policy which required individuals and groups to regulate their behaviour in accordance with the needs of the community, our governments have concerned themselves primarily with a very different aim, namely the realization of a completely fantastic conception of an Irish State politically united, Gaelic and self-sufficient. Their real error is that to which the Pope has recently referred in a penetrating analysis of nationalism, namely "confusing national life in the proper sense with nationalistic policies . . . a germ infinitely harmful which will never be sufficiently repelled".* The true social needs of the people, both spiritual and material, have been thus sacrificed in a vain attempt to make this utterly unreal nationalistic ideal a reality, in spite of the fact that the great majority of the people could not care less about it, and are naturally interested in much more practical matters. At present they are far more concerned about the price of tea, which the tea merchants want to increase because they claim that the present price does not even cover costs. This demand is strongly resisted by the Labour Party who control the Government. The only alternatives to such an increase are a subsidy, to be met by more taxation, or increased overdrafts for the tea importers. The Government has chosen the latter course, which can only be a temporary remedy.

Agricultural Policy

THE farming community is also incensed by the decision of Mr. Dillon, the Minister for Agriculture, to reduce the guaranteed price of wheat by 12s. 6d. a barrel, thus reversing the policy of the previous government. But it is doubtful whether, having regard to world prices and the Irish climate, a wheat subsidy of some £8 million a year is defensible save under war conditions. In any event the new subsidy, which ensures the Irish farmer from £6 to £8 over the world price, is surely sufficient. At present as the result of

* Christmas Message of Pope Pius XII, 1954.

past policy we have a large stock of native wheat in bad condition, no feeding barley, no oats and not enough malting barley. Yet Mr. Dillon's obviously necessary and reasonable action has been the subject of party controversy and an acrimonious debate in the Dáil. It seems clear that the lack of a consistent and coherent national agricultural policy is not only bad for the farmers but worse for the country. Some hope is, however, to be found in the fact that Macra-na-Féirme (the progressive Young Farmers' League which now boasts some 35,000 members) has recently launched a campaign for the formation of a non-political national farmers' organization to cope with the urgent economic problems of Irish agriculture in an intelligent and coherent way. If such a body can agree on a sound policy of agricultural development, the politicians will find it difficult to continue their dissection of what will soon become the corpse of Irish agriculture. Valuable aid will also be forthcoming for the farmers from the Counterpart Fund of £6 million, created by the Irish Government to counterbalance grants made by America to Ireland out of Marshall Aid funds. The Irish and American Governments have just agreed that the greater part of this fund shall be applied to various schemes for agricultural development, including the establishment of an Agricultural Institute to co-ordinate and improve agricultural education. As our present provision for agricultural research is negligible, this Institute, if run on proper lines, may help, by providing research graduates in sufficient numbers, to rehabilitate our basic and, up to this, neglected industry. It is characteristic of our unrealistic mind that the impetus for this policy should have come from America.

Ireland,

January 1955

INDIA

IMMUNITY BY DISSOCIATION

IT is tempting, and not altogether fanciful, to try and see if there is an embryonic connexion between two apparently unrelated events which took place as the old year drew to its close: Marshal Tito visited India, and Mr. Nehru went to Bogor to attend the second conference of the Colombo countries. (To call them Colombo Powers is the fashion hereabouts, but the use of the word "Powers" is, to say the least, premature.) Now that both are over, it is permissible to ask whether Asian neutralism considers itself so well consolidated in its own territory that it can now make an effort to extend what Mr. Nehru calls "the peace area". The very proposal to hold an Asian-African Congress indicates that the five Prime Ministers reckon to have some natural allies in Africa, which they probably have. Mr. Nehru's invitation to Marshal Tito suggests that he is also aware of the possibilities of bringing Asian neutralism closer to its European counterpart. Few things are called by their proper names these days, and the Americans have succeeded in investing neutralism with a certain amount of odium, so that the word itself is not mentioned too often in public pronouncements. But that does not necessarily invalidate the questions asked in the foregoing. The feeling is there—in both Asia and Europe. In the former it is probably a habit of mind which Mr. Nehru and others are seeking to convert into a positive philosophy, even a policy; in Europe there are powerful sections of intellectual opinion whose unconcealed anti-Americanism is often expressed in terms indistinguishable from those of neutralism. Thus the three factors—the Bogor Conference, Marshal Tito's visit to India and Burma, and the proposed Asian-African Congress—add up to a pointer that Mr. Nehru's kind of neutralism is casting its net wider than hitherto, and that it begins to have an appeal wherever international thinking is informed by past prejudices, present grievances and the horror of a future war—and that covers about the entire world. The lessening of world tension noted by the majority of statesmen in their New Year messages may have been no more than a restatement of this.

To take the first of the three factors, the Bogor Conference, its achievements are not easy to catalogue, but then that applies also to Commonwealth Prime Ministers' conferences (to which reference will be made later). What is significant is that so little argument preceded the final communiqué. This latter must be counted a success, and Indian commentators are not far wrong in ascribing a good deal of it to Mr. Nehru personally. Without a doubt his was the dominant voice at Bogor. With the years he has now acquired a certain poise, which leads discussion without offending the sensitiveness of the other participants. It is not as though contentious subjects were not raised at all, and on many of them Mr. Nehru feels as strongly as do others. But failure was averted deftly. Mr. Nehru was able to impress on the accompanying

Indian correspondents, who are the hardest to please, that he stands head and shoulders over the other Asian premiers and that leadership in the region comes to him naturally. They were able to see that the administration in Delhi, whose alleged incompetence and corruption is the subject of their daily comment, is in fact far superior to that in most other Asian capitals. They realized, in short, that not everything is ordered better abroad. (This is of little significance to the rest of the world, but the omniscient special correspondents may hereafter be less critical of internal affairs, thus reducing popular frustration. Indeed, Mr. Nehru has since sent out a team of journalists to different parts of the country to see what his Government has achieved in seven years.) Arrangements at Bogor were poor; there was not-nearly enough accommodation for the many delegates and journalists attending; but the conference passed off extraordinarily smoothly—largely owing to the work of the Indian delegation.

No detailed reference is necessary to the communiqué issued at the end of the conference. The text, appropriately ambiguous, is well known. But, as has been suggested earlier, the manner in which the conference disposed of its fluid agenda was as important as the relatively small list of concrete agreements announced on conclusion. The invitation of China, for instance, to take part in the Asian-African Congress to be held in April could very easily have set off a heated debate. It did nothing of the sort. Pakistan, whose increasing adhesion to the U.S.A. and association with S.E.A.T.O. would have made it natural to oppose the move, quietly accepted the proposal, and reports suggest that Mr. Mohammed Ali was in an exceptionally accommodating frame of mind throughout the proceedings. Ceylon too was not free from a suspicion that she would be less keen to follow the Nehru line than Burma and Indonesia.

What accounts for the feebleness of the anti-Nehruiques? Three possible reasons may be advanced: first, none of the five countries was expected to do anything in return for agreement—no pact or treaty committing anyone to any line of action was ever considered or even contemplated; secondly, whatever Pakistan's or Ceylon's reservations regarding China, neither could afford to create the impression that they were allowed to disrupt the unity of South-East Asia; and thirdly, for all its failure in the propaganda war, Communism has succeeded, aided by the highly selective memory of colonial rule, in sustaining Asian suspicion of European motives. It is a measure of the change that has come over the Asian scene in the past hundred years that while anyone then supporting closer relations with the West (*e.g.* Ram Mohun Roy and Bankim Chandra Chatterji) was regarded as a progressive combating local reaction, today anyone recommending a similar course is at once dubbed a reactionary, a stooge, a self-seeker. Nor are these epithets used only by the Communists. It is an expression of Asia's nationalism; it may also be a partial confirmation of Dr. Toynbee's thesis that the West has lost the spiritual initiative. Again, it may be neither. It may be no more than an inevitable consequence of the West's abdication of power in Asia. It may be that the West's spiritual initiative in the nineteenth century was a corollary of its expanding political power, and the present movement in the reverse

direction is also following the political retreat rather than vice versa. Cause and effect in such movements are hard to define with precision. The fact remains that even Pakistan, which receives such generous aid from the United States as a partner in the anti-Communist crusade to come, was obliged to profess to share the Nehru approach to international affairs; popular reaction in Pakistan to any other course might have been very adverse. The support Mr. Nehru is almost certain to receive at the Asian-African Congress will also proceed from the factors just dealt with. Although Asia's, and Africa's, stake in the *status quo* of international affairs is very small—both might in fact stand to gain from a shake-up, as was the case in Asia after the last war—they are indifferent to the struggle between the United States and the Soviet Union because it looks to them much like another conflict between two Great Powers in which they will not again let themselves be used as pawns, and they know they will be little more. The way the Communist powers go out of their way to champion every Asian grievance enhances the illusion of immunity by dissociation.

Initiation into Indsoc

MR. NEHRU has long been aware that the chief corrosive of his country's independence and stability is its economic weakness, for he it was who gave the Congress Party's exclusively political preoccupation an economic leaven by introducing its first resolution on the subject at the party's Karachi session in 1936. It was therefore entirely proper that economics dominated the proceedings of the sixtieth session of the Congress Party held in the third week of January. The political consolidation of the country is complete; what the country must now address itself to is a social revolution without which economic prosperity will remain a dream and the vast cardboard superstructure of a huge administration, with an expanding foreign service, may one day go up in flames. It has happened elsewhere, and it may happen here. Mr. Nehru is too good a student of history, to say nothing of his studies in Marxism in his youth, to forget that whilst the visiting statesmen from abroad will be impressed by Potemkin cities, his own people are his final judge, and for them his success or failure will be tested almost exclusively on the touchstone of visible economic progress. As it happens, the country is now in a position to make the necessary effort in this behalf, for the first Five Year Plan has, in the three and a half years of its life, not only achieved several concrete results but also secured for the Government much valuable experience, knowledge and encouragement. It was necessary that the Government's economic policy should be declared in unequivocal terms before the second Five Year Plan is laid before the country. Herein lies the importance of the sixtieth session of the Congress.

Unfortunately, what has come from Satyamurthinagar (Madras) is less than a lead. Not for the first time in Congress history, political irrelevancies bedevilled economic discussion, and the resolution passed by the party fully deserves the amended Orwellism inscribed in the subheading above. India, the resolution declares, will "establish a Socialist pattern of society". The

most c
closest
It was
policy

Th
phra
in th
tion.
in ar

This t
than t
discus
the fa

T
ana
and
and
and
the
thi
Bu
fin
mu
...
pr
It
bu
ap
st

T
sess
nor
Mi
eco
it i
Pr
fus
po
co
co
no
w
pr
il
th
is
a

most charitable thing said about the resolution has come from one of Gandhi's closest disciples, Acharya Vinoba Bhave, who says it "tends to be vague". It was said more than once that the resolution represents a new economic policy, and yet Maulana Abul Kalam Azad told the party:

The Congress is not digressing from its old path. This is the reason why the phrase "Socialist pattern of society", and not Socialism as generally understood in the doctrinaire sense has been deliberately included in the text of the resolution. . . . The demand for a Socialist pattern of society does not bind the Congress in any way whatsoever to any dogma or doctrine.

This then is Indian Socialism, Indsoc for short. At any rate, nothing clearer than this emerged from the many speeches made at the various stages of discussion. Mr. Nehru's contribution was even more confusing, and it is not the fault of the Press that a portion of his speech on January 22 read like this:

There is much talk of planning. Planning is quite essential. Otherwise it is just anarchy. . . . What was the first Five Year Plan based on? It was based on data and information then available. . . . The plan was based on the finance available and on priorities being given to the various schemes that were useful and good and we have had good results, but really this is not planning in the real sense of the word. If you like, it is limited planning. The concept of planning is not to think of the money we have got and divide it into schemes and give priorities. But it is based on physical needs. . . . To begin with we are not thinking of finance but the needs of the people today. . . . Finance is important but not so much as people think. . . . The only thing we have to guard against is inflation. . . . Planning has to be done in a big way. Side by side, consumption has to be provided for, because mass production inevitably involves mass consumption. It again entails the question of purchasing power. . . . All this is a complicated business. . . . The purely financial way is no good. It is important. But the approach should be non-financial and finances should be considered at a later stage.

This is the sort of pedagogy which passes for economics at Congress sessions, and Mr. Nehru certainly set an example of how to think of economic problems without thinking of finance. Roughly half the Finance Minister's time is spent in undoing the effects of Mr. Nehru's *ex tempore* economic pronouncements, and if the Indian economy is still basically sound it is because industry and commerce are aware of the unimportance of the Prime Minister's economic enthusiasms. And yet, a steady stream of confused nonsense on the economic problems of the country cannot help sapping popular confidence in individuals and organizations which are engaged in contributing something more to the economy than mere talk. Thus it has come about that instead of economic dynamism, for which the country should now be all set, there is interminable acrimony on who is to do what—the wholly unnecessary debate on the relative rôles of the private sector and the public sector. It is not Socialism that Indian industry is scared of; it is that ill-defined chimera called *Indian* socialism which causes so much confusion that private capital appears to be in a posture of defiance—"private capital is on strike", say the trade unions—and the Government appears to be more anxious to prevent private industry from doing what it can, and wants to

do, rather than to get on with what nobody disputes the State can and should do. The second Five Year Plan, which is now on the anvil, will expect a good deal from private enterprise; even Mr. Nehru often says that there is room for it; and yet constant sniping at the system has produced a climate of opinion which is the reverse of what economic expansion demands. The Press is full of vague reports on what amendments the Government proposes to introduce to the company law of the country; and, more important, even the Constitution is going to be amended in its Articles 31 and 31A, the two clauses which provide for some protection against expropriation of private property. Even now the Congress says that no property will be taken over by the State without compensation, but since it is the executive alone which will decide what is fair compensation the guarantee is not worth much—and this is precisely the object of the threatened amendments: to take the question of compensation out of the hands of the judiciary. This new despotism is sought to be imposed on the country in the name of a new equity. Against this background it is not surprising that foreign investment is not all directed towards India—a subject of some complaint in high places. Even Mr. Nehru claims this to be a piece of martyrdom, the price the country must pay for its independent policies in international affairs. It is, of course, nothing of the sort; the disinclination of the foreign investor is explainable exclusively in economic terms.

But then, Mr. Nehru is primarily a politician, and the elections in Andhra impend. The emphasis on equality is the least the Congress could put forward in face of much more extravagant promises made by the Communists who are powerful in Andhra. Nor are his fears of further disparities of wealth resulting from the second Five Year Plan entirely without foundation; recent studies in national income tend to justify them. What Mr. Nehru is seeking to do is to have an industrial revolution without paying the price for it in terms of class suffering such as the West paid. It is possible, perhaps, at the individual level to read *Othello* and then be spared the worst pangs of jealousy. Whether it is possible, on the national plane, to profit from another's experience to the extent of having a revolution (and Mr. Nehru will be content with nothing less) with rosewater is another matter.

India,

February 1955.

PAKISTAN

SETTING THE NEW COURSE

HAS the crisis of leadership ended in Pakistan? Are we at last on the right path to national cohesion, prosperity and progress? After years of mal-administration, widespread corruption and never-ending petty jealousies and squabbles among politicians, the common man is a little hesitant, somewhat diffident about saying "Yes". Like one lost in a desert, he has been much too often deluded by mirages and, now that he sees an oasis on the distant horizon, he pauses and wishes to assure himself that it is not another tragedy of optical illusion. For years the petty politicians betrayed him. They were extravagant with words, made wild promises and played on his sentiments. Their rhetoric did enthuse him for some time, but as its effect wore off he apprehended the hard facts of reality with added sharpness. With repeated disillusionment he developed a passive, almost fatalistic, attitude. What had to be, was, and what was, had to be. He became a helpless spectator of the depressing political spectacle in the country.

When in October last year the Governor General took the drastic step of declaring a state of emergency throughout Pakistan, there was a widespread feeling of relief. At long last there was a change; and to a depressed people there is nothing more appealing, more consoling, than a change. But as soon as the first flush of enthusiasm subsided there were questioning looks. Will this be a change for the better? The dismissal of the Nazimuddin Ministry was enthusiastically hailed, but in terms of the maximum good for the maximum number nothing had come out of it. "Where do we go from here?" as an English daily correctly asked. But the events that followed in the wake of the declaration of a state of emergency enlivened hopes. There was something different in the manner and action of the people who had now come to the helm of affairs. There were no lavish promises, no waste of words. They looked as if they meant business and were ready to apply drastic measures to a drastic situation. It seemed like a real change.

The first target that the new régime set before itself was to have done with the dry rot of provincialism, which has been the biggest impediment to a unified nationhood. The Centre's approach was ruthless. It acted in right earnestness to eliminate the root cause.

Even a cursory glance at the map of Western Pakistan will convince anyone that the existing provincial divisions are not warranted by geographic, ethnical, cultural or economic considerations. In the words of the Prime Minister, "their existence has served to breed provincialism" by dividing the people in this wing of the country into Punjabis, Baluchis, Sindhis, Pathans and so on. Moreover, the lack of any dynamic political party in the country helped mushroom leadership to shoot itself into prominence by putting a premium on parochial considerations at the expense of larger national interests. The result was chaos. Things had gone to the disastrous extent where a prominent provincial leader, Mr. G. M. Syed, could make the claim

that the Sindhis were a separate nation. It was high time that such dangerous tendencies were firmly checked and these artificial divisions scrapped and merged together as a single unit of West Pakistan.

The events which followed the declaration of the state of emergency in Pakistan made it clear that the Central Cabinet was thinking on similar lines. First the Makhdumzada Ministry was dismissed by the Amir of Bahawalpur. Then came the dismissal of the Pirzada Ministry in Sind. Mr. Pirzada was an uncompromising opponent to the one-unit move and his fall from office set at rest any doubts that might have been entertained of the Centre's determined bid to push throughout the scheme. On November 22 the Prime Minister in a national hook-up announced his Cabinet's decision to constitute West Pakistan into a single political unit.

The Oriental mind is particularly susceptible to benevolent authority and now that the people had become convinced that the Centre was implementing its decisions with firmness and speed, even those who either were opposed to the move or had misgivings thought of approaching the project with an open mind. In fact quite a number gave it their support with the zeal of new converts. The various provincial assemblies voted by overwhelming majorities in favour of the merger. The Sind Assembly was the last of all to vote, but when it did it was with a majority that passed the wildest expectations of the most sanguine political observer. Out of a total membership of 109, 100 voted for the merger resolution, with 4 against. The rest were abstentions.

A Hopeful Outlook

THERE has been criticism, though feeble, of the pace with which the project has been pushed through, on the ground that it may entail a complete eclipse of democracy in Pakistan for a long time to come. But with the general elections in the country not very far off—they have been promised within a year—and prospects for the restoration of parliamentary life in East Bengal exceedingly bright, such an outlook can only be attributed to a refusal to come out of the shell of prejudice and face realities. The benefits of the project to the country as a whole are so patently clear, indeed, that it requires more than the blindness of faith to believe in the *bona fides* of those who make such criticism. As the Prime Minister said in his broadcast:

Throughout West Pakistan, there is the same agricultural economy depending for its sustenance on the same water resources and subject to the same economic forces. Therefore, the development of the whole area can be ensured and speeded up only if it is treated as a single economic unit and its resources are exploited to the maximum advantage of all areas alike which are now divided into separate units by artificial political boundaries. The hydro-electric resources of the Frontier must of necessity sustain industries in the Punjab. The wealth of the Punjab and Karachi and the resources of Sind and Bahawalpur must help to develop and fortify the under-developed and potentially rich areas of the Frontier and Baluchistan to the common advantage of the country as a whole. The history of the last seven years provides distressing instances of how the existing provincial divisions have hindered and in some cases frustrated the overall development of West Pakistan.

These advantages apart, the country could ill afford the "wasteful luxury" of six or seven provincial administrations with their paraphernalia of provincial governments, cabinets, legislatures, secretariats and so on. It could not be justified and becomes glaringly absurd when placed against East Bengal where for a population of 42 million, as against 34 million in West Pakistan, there is only one provincial administration. It is computed that as soon as the experts' committee presents to the Central Cabinet its report on the administrative machinery of West Pakistan and the provinces and states are formally integrated, there will initially be a net saving of Rs.120 million annually.

Pakistan is thus fairly set on the path to national cohesion, prosperity and progress. What has happened during the last four months has helped the nation to get rid of a good deal of political and religious fanaticism. Those who have helped to bring about such welcome changes have not only shown firmness but have also tempered it with a statesmanship of the very highest order. An instance is the Punjab's gesture to accept 40 per cent representation in the legislature of West Pakistan for a period of ten years. On a population basis the Punjab is entitled to 56 per cent representation. The gesture has gone a long way towards providing the necessary psychological basis for the present smaller units to shed their fears of domination by the Punjabi majority.

The general picture of present conditions in Pakistan is really bright, and one hopes it will continue to be so. But much depends on how the members of the present Cabinet pull together. The recent tour of Mr. Suhrawardy, the Law Minister, in West Pakistan has created a stir. Certain of his remarks have been interpreted as a slur on the Muslim League, which is even now the dominant party in the Central Cabinet, the Prime Minister himself being the President of the All Pakistan Muslim League. Naturally enough it has caused concern. The present Central Government is set with the non-partisan aim of finishing the task of constitution-making as early as possible. This is certainly no time to raise such controversies, and one may well ask if the politician will again fail the country? The common man can only hope that the good work already done will not be nullified and he will not be without a sound basis for cautious optimism.

An Invitation from India

THE bold statesmanship with which Pakistan is now tackling her internal problems is also being displayed in the country's external policies, particularly with regard to India. It was a rather out-of-the-way move on the part of the Governor General, Mr. Ghulam Mohammad, to send a telegram to Mr. Nehru saying: "You and I must unravel the tangles which have caused friction between our two countries." That was in the second week of November. Much has happened in the meanwhile, and the Indian President's invitation to the Governor General to visit India on the occasion of her Republic Day, and the latter's forthright acceptance, come as a glorious finale to Pakistan's efforts to resolve her disputes with her neighbour.

The two Prime Ministers have exchanged visits on several occasions, but it is for the first time that the Head of the State is to be in the neighbouring country. Mr. Ghulam Mohammad's presence in New Delhi is not going to be merely ceremonial. It may considerably influence the talks between the two Prime Ministers which are likely to be held in the last week of March in the Indian capital.

In view of the failure of previous negotiations between the two countries to resolve outstanding disputes, particularly that of Kashmir, sceptics may be pardoned. Often hopes have risen rather too high only to be belied, but one cannot help feeling that the outlook for a settlement between the two neighbours is brighter than at any time before. The recently opened Amritsar-Lahore link and the possibility of reopening other rail links between the two countries have helped to provide the necessary psychological basis for easing tension. There is a noticeable improvement in the tone of the press in both the countries, and it is fervently hoped that as the round of talks gets under way the leaders of the two States will be able to deal with the various matters in a spirit of friendliness and co-operation and with the keen realization that if they fail now it will be futile to search for another such opportunity for years to come.

Pakistan,

February 1955

CANADA

TRENDS IN EXTERNAL POLICY

TO sum up adequately in a few pages the many-sided aspects of Canadian external policy is obviously impossible, as it is of almost any country in these days. Nevertheless, an occasional attempt at a comprehensive view may be useful, and that is the purpose of this article.

On January 13, 1947, speaking at the University of Toronto, Mr. St. Laurent, then Secretary of State for External Affairs, delivered an address, "The Foundations of Canadian Policy in World Affairs". Read now, its content seems almost platitudinous, but as a statement of basic principle it was something of a milestone and provides us with a starting-point. Five principles were outlined: external policy must not destroy Canadian unity; the concepts of political liberty inherited from Canada's French and English backgrounds must be protected; the rule of law must be an integral part of Canadian external, as of domestic, policy; the values which emerged from Hebrew and Greek civilization, and which have been transformed and transmitted through the Christian traditions of the Western world, must continue to exert an influence; and there must be a willingness to accept international responsibilities.

Of the practical application of these principles Mr. St. Laurent found no lack of illustration, especially with reference to the Commonwealth, the United States and international organization. The Commonwealth, he declared, we seek to preserve as an instrument for our common good in peace and war. Its principles, however hard to define precisely, may be clearly discerned, and Canadians, because of their very marked influence on its development, take a special pride in this unique association, "the only case on record of a colonial empire being transformed to an association of free nations by experiment, by compromise, and by political evolution". But, Mr. St. Laurent added, Canada would resist "efforts to reduce to formal terms or specific commitments this association which has demonstrated its vitality through the common understanding on which it is based", and would likewise oppose developments which might be inconsistent with a "desire to participate fully in the task of building an effective international organization on a wider scale". As for Canada's relations with the United States, Mr. St. Laurent said that, though they are intimate and empirical, some accepted principles may be observed. The fact of Canada has now been accepted on both sides of the border, even though the United States is vastly more powerful, more self-confident and more wealthy. By now, too, there is a long and creditable record of the peaceful settlement of disputes and of joint activity in matters North American; and both nations have determined to conduct their affairs as a matter of policy on this basis. But, added Mr. St. Laurent, it has never been the opinion of any considerable number of people in Canada that this continent could live unto itself. Canadians have seen their own interests in the wider context of the Western world.

The dramatic element in Mr. St. Laurent's statement lay not in what he said but in the perspective of events still fresh in the minds of his hearers. Ten years earlier no generally accepted statement of principles would have been possible. The American isolationism of the mid-thirties was having its undoubted reflection in Canada; the Commonwealth tie, weakened by loss of confidence in British leadership, was on the one hand assailed as a useless, even dangerous, tag-end of an outworn colonialism, and on the other defended in emotional and sentimental terms which gave only too much justification for the attacks. Above all, the burning issue of conscription, the unhappy legacy of the First World War, embittered every argument, led national leaders to bind themselves with desperate anti-conscription promises, and drove a wedge into French-English relations which seemed certain to split the country if it were drawn into another general war. Apparently no common ground for public discussion existed, only evasion and drift seemed possible, and at times even debate in Parliament was banned on the tacit understanding that external policy was too hot and divisive an issue.

To trace the fascinating pattern of influences and events, some of them fortuitous, which during the Second World War resolved the conscription issue and united instead of dividing the country, is beyond the scope of this article. Suffice it to observe that a French Canadian proclaiming in Toronto so soon after the war basic principles of agreed policy was, to say the least, remarkable.

Mr. St. Laurent rightly contended that these basic principles were nothing new, that they had in fact run back into the period of Canada's colonialism and early nationalism. But this had never been evident even to Canadians themselves. Now with the end of the war came a fresh assessment and clearer understanding of Canada's international position. Her contributions to the conflict had given her the stature of a "Middle Power"; and her unique position between Britain and the United States, often a source of headache in the past, gave her a special relation to the two great defenders of freedom in the Atlantic world. The old historical and geographical ties suddenly assumed new and far-reaching significance. The Commonwealth had become, not an empire in decay, but an association of free nations which had defied Hitler at the height of his power. The United States had become, not an isolationist threat, but the senior partner in the cause of freedom. True, Canadian-American relations had become infinitely more complex and closely enmeshed during the war; and, moreover, the transformation in the economic relation of Britain and the United States bade fair to alter permanently the basis of the Canadian economy. No longer, it appeared, would the British market for Canadian exports provide the traditional means of meeting the adverse balance in trade with the United States; and, as an exporter with a *per caput* external trade often the highest in the world, Canada's need for a free trading world was an urgent necessity. Nevertheless, her general international position was peculiarly fortunate, in some ways unique. With a strategic position in a world of rapidly shifting balances, she might exercise a much greater influence than her population warranted. With no particular fears, grievances, ambitions, or axes to grind, she could work in her own

inter:
benefi

S U
de
the U
Euro
order
funda
howe
mark
An
the p
satisf
that,
exact
polici
by st
and
and
parti

T
crea
by t
time
torn
was
base
the
wea
with
tral
bee
and
tion
how
con
this
Cor
Can
sup
cen
we
po
no
int

interest for an international order which would equally be for the general benefit.

The Post-War World

SUCH was the situation at the end of the war. Has it changed in any marked degree? In general the basic principles remain the same. Relations with the United Kingdom and the Commonwealth, concern for the fate of Western Europe, relations with the United States, and the need for an international order giving some promise of security and economic freedom are still the fundamentals of Canadian policy. New and even startling applications have, however, been added, and these in any general view are now the big question marks.

And first—the Commonwealth. It has been said, with some truth, that in the post-war period Canada and Ceylon have been the Commonwealth's two satisfied members. In Canada's case the answer is not far to seek, and it is that, for the moment at least, the Commonwealth has been moulded almost exactly to the Canadian design and in line with traditional policy. That policy had two main principles: the insistence on the full recognition, step by step, of the principle of nationalism within the framework of the Empire and Commonwealth; and the persistent belief that the connexion with Britain and the Commonwealth contributed to Canada's international interests, in particular toward the creation of a more secure international order.

The contradictions and confusions involved in these principles had often created most painful and protracted uncertainties in the Canadian mind, but by the end of the Second World War these were resolved, at least for the time being, and in particular in three respects. First, Canadians were no longer torn by the gnawing question of whether the Commonwealth connexion was one of sentiment or national interest. Sentiment there was, and still is, based firmly on long association and common heritage; but sentiment is not the sole or even determining element in the post-war strength of the Commonwealth, and any explanation which would make it so is seriously out of line with the realities of Canadian opinion. Secondly, the old question of centralization in London seemed to have been finally settled. Canada had always been suspicious, some Canadians thought ultra-suspicious, on this point, and, rightly or wrongly, even the suggestion of a tendency toward centralization had repeatedly aroused automatic reactions. By the end of the war, however, the official Commonwealth relation had become one of a continuous consultation of Cabinets, and Mr. Mackenzie King, the chief exponent of this concept, ended his public career with the reputation of being one of the Commonwealth's great architects and creators, to the surprise even of many Canadians. And thirdly, the Commonwealth by the end of the war was a support rather than a problem in Canada's international relations, which had certainly not always been clearly the case. In the days of the League, Commonwealth solidarity had often been suggested as a preferable alternative to the possibility of a wider internationalism; and, moreover, the misunderstanding, not to say hostility, of the United States toward the Commonwealth in the inter-war period had often been an embarrassment, at times a positive

danger. Now all this was changed. The Commonwealth offered positive advantages of consultation and co-operation unburdened by corresponding responsibilities or commitments—surely a good bargain in a cold-war world.

Three New Factors

HOW long will this happy condition continue? Certainly it is impossible to say; but, omitting economic considerations for the moment, three developments at least have taken place in the post-war period which are bound to have very far-reaching effects, and to the implications of which Canadians must give a great deal more thought than they have so far done. These three are: the organization of regional pacts, in particular N.A.T.O.; the creation of a multi-racial Commonwealth through the inclusion of India, Pakistan, and Ceylon, as member states; and the upsurge in Britain's Empire of the problems of colonialism, race and nationalism in an acute form.

N.A.T.O., as everyone knows, owed much in the beginning to Canadian initiative and has been a cornerstone of Canada's external policy since its inception. Linking both sides of the Atlantic in mutual defence and bringing the United States and Britain together within the framework of a wider international system, N.A.T.O. in a real sense was for Canada a justification and expansion of her traditional aims. It removed, apparently for good, the oldest and most serious threat in Canada's external relations—that Britain and the United States might become deeply, even dangerously, divided as they had been at the beginning of each World War. Wisely, also, Canada, even though not clearly knowing what to do about it, urged that N.A.T.O. must not be merely a military and defensive alliance, but through Article II must look toward the strengthening of the Atlantic Community in the broadest and best sense. So far so good. Canadian opinion also has favoured Britain's active support of Western European union. Britain's choice has been hard, and her fears real that too much entanglement on the Continent would jeopardize her oversea strength and interests and hence her position as a world power. This would certainly not be in the Canadian interest; but Canadians, though recognizing that the choice was Britain's, seem to have felt that efforts for union ought not to fail for lack of British participation.

What will be the effect of these developments? Will they alter the emphasis, even the direction, of Canada's external policy? N.A.T.O. has tremendously extended Canadian peace-time commitments in Europe. Is it also shifting the centre of Canada's North Atlantic interests away from London? And what of the Commonwealth relation? If the Commonwealth is an advantage in Canadian external policy, how can it be maintained dynamically; or will it wither in the midst of a complex of hard-driven bargains and intractable commitments? These questions pose themselves whether we wish it or not. They have no easy answers.

The admission of India, Pakistan and Ceylon into full Commonwealth membership was welcomed by Canada, not least because it was so striking a demonstration of the possibilities of evolution to full nationhood within the Commonwealth, a process in which Canada had led the way. The impor-

tance of the change into a multi-racial Commonwealth with the inclusion of some 450 million Asians in these new self-governing states was not lost on the Canadian public, and with the rise of Communist power in China the possible significance of Commonwealth ties in Asia became still more evident. Canadians favoured the Colombo Plan, and from various quarters there were repeated criticisms that Canada's contribution of \$25,400,000 per year should be sharply increased. Mr. St. Laurent's world tour in February 1954, with the particular purpose of visiting the Asian Commonwealth nations, had the approval of all parties.

Canadian opinion also has undoubtedly favoured the many attempts, of which it has gained some inkling, to find common ground on critical international issues in public and behind the scenes, and here the Commonwealth relation has been an advantage. Canada, Mr. St. Laurent told the Canadian public, should seize every opportunity to strengthen the bonds of goodwill and mutual understanding; and in this direction "Canada has a special opportunity because, like these nations, we too have emerged from a colonial status to a status of equality in the Commonwealth, and that common experience is itself a basis for mutual understanding".

Again, so far so good. Canada is discovering that she must have an Asian policy. As in Europe, that policy touches of course not only the Commonwealth but the wider international order, and it is to the latter that she has made her specific commitments. If these have been limited they have been readily assumed—participation in Korea, and now, with India and Poland, membership of the commissions to supervise the cease-fire agreements in Indo-China. The latter is a much heavier obligation than most Canadians realize, but it is clearly in line with the accepted policy of Canadian support for effective international action through the United Nations. Canada has not joined regional pacts or alliances in the Pacific. As yet there seems little positive reason for doing so, and commitments elsewhere are increasingly heavy. Moreover, to these ostensible reasons some might add the argument that unnecessary adhesion to pacts in which the United States is the dominant member would only add to the complexity of Canadian-American relations without any corresponding benefit to either country.

Thus Canadian policy toward the Pacific and the Commonwealth in Asia, though limited, is well intentioned; and certainly it is not easy to prove that it should go beyond that point. But is this really enough in the face of the incalculable forces now surging through Asia? "Today", Mr. St. Laurent told Parliament, "we are vitally concerned with what happens in Asia." But do Canada's contributions thus far, financial and other, to such pressing problems as nationalism, racial tension, and poverty in Asia indicate a "vital concern"? To not a few Canadians, these are disturbing questions. But again, the answers are not easy.

As for the last of the three developments mentioned above—the upsurge in Britain's empire of the problems of colonialism, race and nationalism—little need be said in spite of its potential importance. In general Canadians have little doubt with regard to either Britain's sincerity or her wisdom in handling the appallingly difficult problems of developing colonial self-

government. These matters, Canadians feel, however, are Britain's not Canada's responsibility, and certainly it is not the line of wisdom to assume uncalled-for obligations. But there are many steps in policy short of that point. Has Canada no concern in her own interest with the tremendous colonial problems of racial and ideological conflict which already shake the Commonwealth and the international order, and in future will do so even more? Already such questions impinge on Canadian policy, and increasingly will do so at many points. What, for instance, will be Canada's attitude and influence when the Gold Coast or Nigeria is ready for full Commonwealth membership?

The United States

TURNING to Canadian-American relations, we are on more familiar ground, for here there are some well-worn patterns. Over the decades the persistence and growth of intimate relations has been matched only by the persistence of the tendency to create two nations, not one; and if now on both sides there is an accepted policy of peaceful settlement of disputes and friendly co-operation in matters of joint concern, there is equally a long record of differences and resentments, especially in Canada where always the tremendous impact of a powerful and sometimes hard-fisted if generous neighbour is a hard reality. American tariff policy and practices have often seemed unnecessarily tough, even discriminatory; and recently, for instance, the St. Lawrence power and navigation agreement following years of delay in the United States to the detriment of the Canadian interest was after a *volte face* carried through in what at least to some Canadians was a needlessly high-handed fashion. Such incidents, however, important as they are, are surface frictions in the old pattern, of which one is tempted to say that *plus ça change plus c'est la même chose*.

Are there, however, any more fundamental problems? Three may be suggested; though whether in the long run they will bring basic changes into the pattern of Canadian-American relations it is still impossible to say. The first, the danger for Canada of economic dependence on the United States, is an old question. On the whole, Canadians have not been afraid of American economic imperialism, and there is little evidence that they are so now. Nevertheless the old question has been brought up in sharpened form by recent developments—the decline of Britain as a market and source of investment, the greatly increased dependence of Canadian exports on the American market, the very rapid rise of American investment in Canada with the integration of many industries through subsidiary companies, management, methods, &c. American big business has “discovered” Canada, and for Canadians the experience is not in all respects reassuring. Still we should not jump to conclusions. In every generation it has been claimed that Canada was in the process of being Americanized, and yet she has proved herself a very tough morsel indeed. In investment, for instance, it should not be overlooked that, although American investment of risk capital has been very prominent in such fields as oil and mining, Canada has in recent years been supplying as much as 80 per cent of her total investments.

The second problem touches another old fear, that of deep division in the relations of the United States with Britain and Western Europe. N.A.T.O. and other developments seemed to have put an end to this danger in a really serious form, only to have it re-emerge acutely in 1953-54 over the dilemmas of German rearmament and Communist China. In an article, "Don't let Asia split the West", printed in December 1953, Mr. Pearson, Minister for External Affairs, pointed to the danger for Canada of such divisions. "These differences often find the United States on one side and the governments of Western Europe and the British Commonwealth of Nations on the other—a result which causes special anxiety to a Canadian." Other statements showed serious concern over the possibility that the United States might even choose to "go it alone". Canadian views, nearer on the whole to those of Britain, were that American opinion was too emotional and American policy often too extreme and rigid, especially in its short-run applications. By the end of 1954 these dangerous differences were less acute, but it is clear that the old threat of disunity in Anglo-American relations, however reduced, is by no means eliminated.

The third problem comes from a different quarter—the revolutionary change in the strategic significance of the Canadian Far North and Arctic. This region, opening up with startling rapidity, has become within a decade not only a source of wealth of the first magnitude for Canada, but a critical frontier of North American defence and the main concern of the Canadian-American Joint Board of Defence. It is altogether desirable that planning and action, as urgent matters of mutual concern, should be by joint effort; and it is inevitable that the United States, by far the wealthier, should take the initiative and bear the heavier load. It is clear, however, although these matters are surrounded by secrecy, that the United States has been willing to force the pace and to assume whatever obligations are necessary in doing so. The burden for Canada of co-operating in Arctic defence is, therefore, heavy, and all the more because it must be balanced with other commitments for the defence of the free world. But it is of the first importance that Canada carry her full share, and not least to protect her position as a sovereign, even if unequal, partner in the defence of her own frontier. This close partnership—delicate, intimate, at times even embarrassing—has injected a new element into Canadian-American relations which has every prospect of lasting a long time. It can scarcely fail to have far-reaching effects.

External Trade

FINALLY mention should be made of economic considerations, though these have already been touched upon at several points. Canada's general trading position has on the whole continued good, though the marked increase in competition in export markets all over the world has affected the Canadian economy rather unevenly; markets for most basic exports have been well maintained in spite of particular difficulties. Wheat has been a special problem, and American quota restrictions have severely affected certain agricultural products. Increasing difficulties due to fierce competition

have also faced the export of manufactured articles; and, although these account for a relatively small proportion of total exports, the impact has been felt on a number of Canadian industries and on employment in a number of areas. Thus for the first time in the post-war period there has been widespread and vocal debate about general policy, and the liberal approach of the present Government has been sharply attacked in certain quarters, with a revival of protectionist argument. How far this will develop remains to be seen, but the rapid growth of manufacturing, the accelerated rise in population and the consequent expansion of the domestic market may become permanent factors of increasing importance. If, as a result of conflicting internal interests, Canada tends to change direction away from the support of a free trading policy, the effects and implications may be much wider than the Canadian public realizes.

In determining the direction of Canadian economic policy much will, of course, depend on the United States. However understandable President Eisenhower's difficulties in moving toward freer trade may be, the actual developments and the prospect of continued slow progress have been very discouraging. These Canadian problems are, of course, part of the larger international situation, as the difficulties over G.A.T.T. make clear. Canada and Britain find themselves much closer together on trade policy than they were a few years ago, with Britain moving toward convertibility and keen to prevent other countries from discriminating against British goods in the attempt to use their sterling earnings for conversion into dollars. Canada's position as the only Commonwealth country outside the sterling area has seemed to some peculiar, but there has been no disposition in Canada to join the sterling area, and there is now apparently very little pressure for her to do so. Any effort to turn the Commonwealth into an economic *bloc* would almost certainly get no effective support in Canada.

In his Toronto address Mr. St. Laurent stated as the first principle of Canadian external policy that it must not destroy the unity of the country. Looking back one cannot but remark that this principle has been applied with far greater success than most Canadians would have willingly prophesied. Circumstances, and especially the pressures of the post-war period, have largely contributed to this, but the fact remains that external policy has carried the consent of the Canadian people and political parties in a way that suggests that Canada has reached a maturity in her judgments on international affairs which seemed impossible in the emotion-torn thirties. In conclusion, therefore, one may hazard the guess that this consciousness of national unity will continue to be a fact of prime importance in the conduct of Canadian external policy.

Canada,

February 1955.

SOUTH AFRICA

MR. STRIJDOM TAKES OVER

AT the time of the opening of the 1955 session of the Union Parliament there is some anxiety about the course of South African affairs after the dramatic change brought about with the emergence of Mr. J. G. Strijdom as this country's fifth Prime Minister since Union, but still little indication of the way they are going.

Events started moving one day in October when the 80-year-old Dr. Malan unexpectedly summoned an emergency meeting of his Cabinet and, in a statement issued exclusively to the Nationalist Party newspapers, announced that seven weeks later he would retire from the office of Prime Minister and from public life. His decision surprised the country and, it was reported, also astonished even his Cabinet colleagues with the possible exception of Mr. Havenga. The announcement was made on the eve of the departure of Mr. Strijdom for his first journey overseas, and ushered in an extraordinary period of limitless speculation in public and, in private, considerable activity behind the political scenes.

From the outset there were only two obvious claimants to the succession, Mr. Havenga and Mr. Strijdom. Mr. Havenga, once a comrade-in-arms of General Hertzog and General Smuts, was the senior member of the Cabinet; the Leader of the House; had acted as Prime Minister; and in normal terms of seniority and personal prestige was the obvious choice. The claims of his rival were less obvious but, as the fact showed, very much stronger.

Although his nominal ranking in the Cabinet hierarchy was only fourth and since becoming a Cabinet Minister in 1948 he has held only the comparatively minor portfolio of Lands, Mr. Strijdom was in fact the strong man of the Cabinet. He was born in the Cape sixty-one years ago but soon moved to the Transvaal where, after a short period in the law, he devoted his considerable talents and energy to politics and farming. He entered Parliament twenty-five years ago and as a private member soon made his mark on the House as a man of fiery eloquence, strong and aggressive character, and inflexible principles. When in 1933 the fusion of the parties led by General Hertzog and General Smuts left outside the Government only a handful of intransigents under Dr. Malan, it was not surprising that it was Mr. Strijdom who was the sole representative of the province of the Transvaal.

With the break-up of fusion and later the electoral victory of Dr. Malan's party, Mr. Strijdom, the leader of the now numerically strong Transvaal Party, took his obvious place as an extremely powerful figure in the councils of the Nationalist Party. The election of Mr. Strijdom by the parliamentary caucus came about without an open vote, so it is not possible to state precisely what was the exact strength in the caucus of the two contenders. But it was accepted both inside and outside the Nationalist Party that the control of the caucus was in the hands of Mr. Strijdom and whoever was elected would owe

his choice to Mr. Strijdom's decision. In the event Mr. Strijdom chose himself and, without a vote, he was unanimously acclaimed Dr. Malan's successor. The most extreme of the unofficial estimates do not give Mr. Havenga more than 30 or 40 votes in the Nationalist caucus of about 120. This is confirmed to some extent by the fact that although Mr. Havenga permitted himself to be formally nominated, he promptly withdrew his candidature and announced his total retirement from public life. There is evidence that Dr. Malan would himself have preferred to see Mr. Havenga's election, but that even Dr. Malan's formidable prestige was not powerful enough to challenge openly the mastery which Mr. Strijdom had achieved over the rank-and-file of the parliamentary party.

The 1955 session thus began with the absence from the scene of two major characters, both in the old tradition of South African public life, and both with records of public service going back to the early years of the century. The session will show whether the disappearance of these two stalwart upholders of an older tradition will bring with it other breaks with traditional principles of government and administration which have been weakened in the past seven years but have not been entirely discarded.

The New Cabinet

THE composition of Mr. Strijdom's Cabinet shows a swing towards what has always been regarded as the extremist wing of Nationalist thought. There has undoubtedly been a strengthening of the personal position of Dr. Verwoerd, a close associate of Mr. Strijdom and, as Minister of Native Affairs, the holder of a key position in the government. Although Dr. Dönges retains the powerful Department of Internal Affairs, it is permissible to assume that his position has been correspondingly weakened. Dr. Dönges became the leader of the Cape Nationalist Party in succession to Dr. Malan, although many would have expected the Cape leadership to fall to Mr. Eric Louw, a Cape member who a number of years ago nailed his colours to the Strijdom mast. Mr. Louw, a successful Minister of Economic Affairs, has been rewarded with the vital department of Finance; and to this burdensome task has been added, rather curiously, the department of External Affairs. Traditionally, foreign affairs have always been the direct responsibility of the Prime Minister; but Mr. Strijdom has broken with tradition and now leaves himself completely unencumbered by departmental duties. Mr. Sauer, another Cape member regarded as being closer to Dr. Malan than to Mr. Strijdom, has been relegated to the innocuous department of Lands after having been unsuccessful as Minister of Railways.

A surprise appointment has been that of Mr. Jan de Klerk, a Transvaal Nationalist who was not even a member of Parliament. Mr. De Klerk, who until his appointment was secretary of the Nationalist Party in the Transvaal, has the reputation of being an able, vigorous and successful political organizer, and is credited with much of the recent Nationalist Party success in the industrial and mining areas of the Witwatersrand. It is significant that his department is that of Labour and his first parliamentary task will be to put

on to the Statute Book a trade-union bill which enforces strict *apartheid* on the trade-union movement, and makes other changes which many trade unionists claim are designed to make the trade unions ineffectual, both economically and politically.

There is not much evidence at the moment to what extent, if at all, the more energetic, thrustful and obstinate temperament of Mr. Strijdom will be reflected in Nationalist policies. Mr. Strijdom has always had the reputation of being an uncompromising republican, and the first question was naturally whether this country's progress to republicanism would be hastened. In one or two guarded utterances Mr. Strijdom has referred to republicanism in moderate terms. The republic would be dependent on what Mr. Strijdom calls a little obscurely "the broad basis of the will of the people"; he repeated Dr. Malan's frequent assurances that the rights of English-speaking people would be fully protected and that the republican issue would be put separately and squarely to the people in a referendum or a special general election; there was a suggestion of a republic within the Commonwealth; and that in any event no major move in the direction of republicanism would be taken in the lifetime of this Parliament, which is due to go on until 1958.

"Sovereignty of Parliament"

OF more immediate importance is the Coloured vote, and the Speech from the Throne confirms that the task of the session will be to deal with the separation of voters and the sovereignty of Parliament. Readers of THE ROUND TABLE will be familiar with the complicated moves by which during the last seven years the Nationalist Party has been trying to put the Coloured voters of the Cape Province on a communal roll distinct from the body of White voters. Until now these moves have been defeated by the courts and by the Nationalists' inability to muster a two-thirds majority in a joint sitting of both Houses of Parliament. Dr. Malan got within nine votes with the help of a dissident group of former United Party members; but it seems to be accepted that no further Nationalist progress is possible towards a two-thirds majority in the accepted meaning of the requirement. In any event it seems clear that Mr. Strijdom is no longer interested in achieving the segregation of the Coloured voters by ordinary constitutional means, for he has significantly widened the controversy from the entrenched vote to what he calls "the sovereignty of Parliament". He contends that the Union Parliament, like the British Parliament, should be complete master in the law-making field and that the entrenched restrictions and their enforcement by the courts are an intolerable restraint on its power.

He is said, therefore, to be aiming at a change more fundamental than merely restricting the Coloured vote. If this is true—and it is confirmed by the fact that the Speech from the Throne refers separately to both the Coloured vote and the sovereignty of Parliament—his task will be to find a legal means of repealing the entrenched clauses. Dr. Malan had in reserve but never used a Bill which would alter the constitution of the Appeal Court. By, in effect, a packing of the Bench, this reconstituted court might reverse

recent decisions and declare that legally the entrenched clauses are of no force and effect. If this procedure were successful it might achieve the segregation of the Coloured vote but it might still leave obscure Mr. Strijdom's "sovereignty of Parliament". There is therefore a suggestion that Mr. Strijdom might be considering legislation which, by altering the constitution of the Senate to permit of the appointment of more Nationalists, would allow the Government to repeal the entrenched clauses with the help of a two-thirds majority obtained by these means. Whether a reconstitution of the Senate to achieve this end would fall within the protection of the entrenched clauses is a legal matter on which there is a division of informed opinion.

South Africa,

February 1955

AUSTRALIA

CONFLICT IN THE LABOUR PARTY

THE chief development in Australian politics in 1954 has been an outbreak of bitter dissension in the Labour movement and the desperate efforts of the Federal Labour leader, Dr. Evatt, to maintain his position.

The conflicts within the party have been smouldering for several years but were suppressed as the general elections of last May approached. Dr. Evatt took the initiative in seeking to win the middle-class vote with a policy which went much too far to the Right for the taste of the more doctrinaire Labour men. When this programme ended in defeat there was severe questioning in the party meetings. The party executive complained that it had not been sufficiently consulted, and especially that Dr. Evatt took too much upon himself in committing Labour to abolition of the means test for age pensioners within three years.

But no one seemed to know just what Labour's policy should have been. All that has become clear since the elections is that the party is, not split by a clear-cut cleavage, but crumbling apart for lack of a common basis of generally accepted principles. Labour in Australia, as in most British countries, has practically exhausted its earlier humanitarian aims of reasonable wages and working conditions and social security. In Australia, in the post-war years, it has definitely cooled towards Socialism. The party, as a party, is uncertain whether to espouse a new radicalism or to continue to compete with the Liberal Party for the votes of the Centre. The latter course is probably the more congenial to the great majority of party members, but it involves the constant threat of rebellion on the Left.* This disintegration has been at work all through the Labour movement, including the trade unions. It is not superficial, but fundamental. It is not based on a normal division of factions but upon the ideas and prejudices of individuals.

One reaction to the election defeat has been a demonstration of hostility to the "industrial groups". These groups, supported by Mr. Chifley and many other Labour leaders after the war for their value in combating Communism in the unions, have come to be regarded by many as the instruments of Catholic Action, which is strongly opposed by some of the more moderate Labour men—including some Catholics—as well as by the more radical element in the Labour movement. These men suspect Catholic Action of trying to gain control of the Labour Party and of subordinating everything else to Catholic policy, including the crusade against Communism inside and outside Australia. In July a union conference took a step to assert the supremacy of the political wing of the party by resolving that industrial groups were not to be formed in unions, other than those under Communist control, without the approval of the Labour Party executive.

* Cf. "Australian Labour Moves Right", THE ROUND TABLE, No. 174, March 1954, pp. 204 ff.

Some of the strongest post-election criticism of Dr. Evatt came from the small but fervently single-minded group of Catholic Action sympathizers in the Parliamentary Labour Party. The reaction against these people has helped Dr. Evatt, but his efforts to win support elsewhere have not met with great success.

A large number of Labour men have not been satisfied with his leadership nor happy about some of his recent activities, particularly over the incidents of the Royal Commission on Espionage—the inquiry set up to investigate Russian activities in Australia revealed by Vladimir Petrov, formerly an official of the Soviet Embassy in Canberra.

Though in the Federal Parliament Labour had supported the establishment of the Commission, Dr. Evatt, without consulting the Labour Executive, launched an attack on the Government over the Commission, and, a week later, he appeared before the Commission in defence of members of his own staff. These had been named as possible contributors of information contained in "Document J", one of the papers handed to the Commonwealth authorities by Petrov. It was a scurrilous composition, drawn up by a Sydney Communist in 1953 for the benefit of the Soviet Embassy.

In Parliament, however, Dr. Evatt accused the Government of buying this and other material from Petrov in order to influence the elections. He told the Commission that Document J had been fabricated as part of a "political conspiracy" intended "to injure Dr. Evatt and the Australian Labour Party by procuring the false insertion in Document J of the names of three of his secretaries as sources". Dr. Evatt pursued this line for some weeks, and visibly tried the patience of the Commissioners. In the end, they withdrew his leave to appear.

The matter was brought to a head by a statement made to the Press by Dr. Evatt during the first week in September 1954. This statement referred to Mme Ollier, Second Secretary of the French Embassy. Before the Commission took any evidence the Government had already learned from the documents handed to it by Petrov and his statements to them that Mme Ollier was mentioned in certain letters which he had written to Moscow, and that Petrov had asserted she had promised to give him information on the classes of arms being shipped to Indo-China, but had not kept her promise. The Department of External Affairs had confidentially informed the French Ambassador of these facts and thereafter Mme Ollier had been sent to Noumea, the capital of the French colony of New Caledonia, by the French. After the evidence relating to this particular matter was taken by the Commission a copy of it was supplied to the French Ambassador. Later Mme Ollier was arrested in Noumea by the French authorities and sent back to France for trial, the French Ambassador in Australia stating that the French authorities had made their own inquiries. When she was arrested Dr. Evatt instantly appointed himself her champion, suggesting that letters produced by Petrov had been "deliberately falsified and fabricated to injure her or her friends", and denouncing the whole proceedings of the Commission as "worse than McCarthyism".

The Chairman of the Commission told him: "A climax has been reached

by the statements made by you to the Press in your public capacity, commenting on matters which are the subject of our inquiry." Referring to Dr. Evatt's claim that his public statement was made by him in his capacity of a public man, the Chairman said: "This emphasizes the conflict between your two capacities which makes it impossible for you to approach the elucidation of the facts with the impersonal detachment proper to an advocate."

In an interim report shortly after, the Commission completely disposed of Dr. Evatt's accusations. "Apparently . . . Dr. Evatt conceived the theory that he and the political party which he leads had been made the victims of a political conspiracy. Charge followed charge with bewildering variations. Suggestions were made of blackmail, forgery, uttering, fabrication, fraud and conspiracy. . . . All the charges turned out to be fantastic and wholly unsupported by any credible evidence."

Dr. Evatt's behaviour did not encourage confidence either inside or outside his party. In seeking to discredit the Petrovs he had laid himself open to the accusation that he was in the same camp as the Communists and their advocates. Many Labour men resented this, feeling that he had compromised them.

Being well aware of the shakiness of his position in the party, Dr. Evatt turned to the attack. He issued a public statement denouncing "a small minority of Labour members, located particularly in the State of Victoria, which, since 1949, has become increasingly disloyal to the Labour movement and the Labour leadership". This, he said, had "created an almost intolerable situation". He added that it seemed "certain that the activities of this small group are largely directed from outside the Labour movement", and concluded that he would ask the next meeting of the Federal party executive to take appropriate action.

For a space the air was warm with charges and counter-charges as Labour men, tired of the prolonged effort to smother up differences, indulged in the luxury of unfettered speech. The Victorian State executive repudiated Dr. Evatt's attack as being "unworthy of a Federal leader". The more astute, however, soon set to work to avert the complete disintegration of the party. Dr. Evatt won a round in the Federal Caucus, which rejected a motion to have all the party offices declared vacant. An important feature of the Caucus discussion was that the Deputy Leader of the Party, Mr. Calwell, announced himself as willing to contest the leadership of Dr. Evatt.

None of this has been particularly edifying. Expediency has been at work, but precious little principle, and Labour remains as far away as ever from a coherent policy and an agreed set of objectives. There is currently no visible alternative to Dr. Evatt, and any rival candidate would at the moment be suspected of being the spearpoint of one or other faction.

The Waterfront Dispute

DURING the war the Waterside Workers' Federation was given the unique privilege of the sole right of recruiting labour on the wharves. A man had to be accepted as a member of the union before he could apply for work. In 1947 the Chifley Government embodied this provision in

legislation. Dr. Evatt, who introduced the Bill, described it as an experiment, which could only succeed with the complete co-operation of the union and which might have to be reviewed later by Parliament. Considered in that light, it is an experiment which failed. The union is dominated by Communist officials who have carefully selected new members to suit their purposes. They have consistently failed to keep the labour strength up to the "port quotas" set from time to time by the Commonwealth authorities. Significantly enough, the working force has been insufficient at critical times or in critical circumstances.

While conditions and industrial relations in other industries have been steadily improving over the past year or two—even in the coalmines, where the union has gone so far as to accept the extraction of pillar coal—the waterfront has remained bad. The handling of the ships lacks efficiency, and there is deeply ingrained bitterness. Many changes are needed to bring about an improvement, but it has been generally felt that this Communist union's labour monopoly was an obstacle which must be removed. The Government has been known for some time to have a programme of reform under consideration, but it caused surprise by unexpectedly announcing, in October, that the Stevedoring Industry Act was to be amended immediately. The initial right of recruiting labour was to be transferred to the shipowners, the union to have the right to protest against the choice of recruits, and the final decision to rest with the Stevedoring Industry Board. Thereafter a special inquiry was to be set up to investigate other aspects of the problem.

The Waterside Workers' Federation's reaction was automatic. It called a strike and claimed support from the Australian Council of Trade Unions. The A.C.T.U., after some hesitation, endorsed the strike, but obviously did so with great reluctance. In a period of general industrial peace and widespread prosperity, with Christmas approaching, the great body of trade unionists were anything but enthusiastic about the prospect of a prolonged stoppage, and least of all for a notoriously Communist-led union.

The Government had no doubt counted on this, and it refused to make any concessions, but pressed the legislation through Parliament. It seems probable that A.C.T.U. leaders were secretly pleased, since it enabled them to turn to the Waterside Workers' Federation and urge that, as the amendment had become law, it would be as well to return to work while carrying on further negotiations. This was agreed to, although a defiant resolution passed by the A.C.T.U. declared that the legislation "strikes a fundamental blow at the rights of the Waterside Workers' Federation" and "must be fought by the whole Labour movement".

This resolution saved face for the time being, but the Federation itself has declared its intention of making the legislation "unworkable" and it is in a strong position to do so.

It is not suggested that the strike was nothing more than a Communist manoeuvre. The real background is that shipping is a diseased industry with a high degree of inefficiency of both labour and management. This criticism applies not only to shipping itself but to the wharf and other transport facilities associated with shipping. The Communists, in accordance with their

usual technique, have worked effectively in an industry which is both nationally important and internally weak. The change in the procedure for labour recruitment is only one of many steps needed to improve the situation. The Commission of Inquiry itself is one other move to try to find solutions.

Wage Margins

APART from the waterfront, the year has been one of industrial peace, and a source of discontent has been removed by the decision of the Arbitration Court on wage "margins". These are the amounts awarded over and above the minimum or basic wage as rewards for the exercise of special skill or responsibility.

War and post-war conditions led to the submergence of the skilled tradesman because the labourers and repetition workers were enabled, by the strong demand for all classes of labour, to exert their numerical strength so as to secure priority in the distribution of industrial benefits.

The tradesman's position was worsened by inflation, which depreciated the value of his fixed "margin". The Arbitration Court, although it varied the basic wage until 1953—when the system was dropped—with each quarterly change in the retail price index, has always refused to do the same in respect of "margins". The result was that a typical skilled tradesman was awarded only 17 per cent more than the unskilled labourer, whereas in 1937 he received 43 per cent more. However, owing to the scarcity of skilled workers many employers at various times offered substantially "more than the minimum official remuneration by way of premiums over award rates and other devices such as guaranteed overtime". Governments and statutory bodies that are restricted to the payment of award rates have thus been at a disadvantage when competing in the labour market.

Immediately after it had stabilized the basic wage, the Court turned its attention to the claims of the skilled men, as represented by engineering tradesmen in the metal trades. After hearing evidence the Court made an interim announcement in February 1954 to the effect that the economy was not yet in a position to bear any additions to costs, and that any further increase in the wages bill must await an increase in productivity. The decision was deferred, and was given in November, after fresh consideration.

The Court showed itself to be impressed by the evidence of the worsening of the skilled man's situation. The Federal Government itself intervened in the case to suggest that the margins for the higher skills be reviewed, and the Bench did not conceal its belief that post-war awards had led to a serious "distortion" of the wage system. As a broad principle, therefore, it adopted the margins prevailing in 1937 as the standard, and multiplied these rates by two and a half to bring them up to date.

A few unions of the unskilled employees and employers have grumbled a little on principle, but the decision has generally been acclaimed as just and necessary. The lack of skilled labour remains one of the most serious obstacles to Australian expansion. This would become steadily worse unless sufficient inducement were offered to youths to undergo apprenticeship and technical

legislation. Dr. Evatt, who introduced the Bill, described it as an experiment, which could only succeed with the complete co-operation of the union and which might have to be reviewed later by Parliament. Considered in that light, it is an experiment which failed. The union is dominated by Communist officials who have carefully selected new members to suit their purposes. They have consistently failed to keep the labour strength up to the "port quotas" set from time to time by the Commonwealth authorities. Significantly enough, the working force has been insufficient at critical times or in critical circumstances.

While conditions and industrial relations in other industries have been steadily improving over the past year or two—even in the coalmines, where the union has gone so far as to accept the extraction of pillar coal—the waterfront has remained bad. The handling of the ships lacks efficiency, and there is deeply ingrained bitterness. Many changes are needed to bring about an improvement, but it has been generally felt that this Communist union's labour monopoly was an obstacle which must be removed. The Government has been known for some time to have a programme of reform under consideration, but it caused surprise by unexpectedly announcing, in October, that the Stevedoring Industry Act was to be amended immediately. The initial right of recruiting labour was to be transferred to the shipowners, the union to have the right to protest against the choice of recruits, and the final decision to rest with the Stevedoring Industry Board. Thereafter a special inquiry was to be set up to investigate other aspects of the problem.

The Waterside Workers' Federation's reaction was automatic. It called a strike and claimed support from the Australian Council of Trade Unions. The A.C.T.U., after some hesitation, endorsed the strike, but obviously did so with great reluctance. In a period of general industrial peace and widespread prosperity, with Christmas approaching, the great body of trade unionists were anything but enthusiastic about the prospect of a prolonged stoppage, and least of all for a notoriously Communist-led union.

The Government had no doubt counted on this, and it refused to make any concessions, but pressed the legislation through Parliament. It seems probable that A.C.T.U. leaders were secretly pleased, since it enabled them to turn to the Waterside Workers' Federation and urge that, as the amendment had become law, it would be as well to return to work while carrying on further negotiations. This was agreed to, although a defiant resolution passed by the A.C.T.U. declared that the legislation "strikes a fundamental blow at the rights of the Waterside Workers' Federation" and "must be fought by the whole Labour movement".

This resolution saved face for the time being, but the Federation itself has declared its intention of making the legislation "unworkable" and it is in a strong position to do so.

It is not suggested that the strike was nothing more than a Communist manoeuvre. The real background is that shipping is a diseased industry with a high degree of inefficiency of both labour and management. This criticism applies not only to shipping itself but to the wharf and other transport facilities associated with shipping. The Communists, in accordance with their

usual technique, have worked effectively in an industry which is both nationally important and internally weak. The change in the procedure for labour recruitment is only one of many steps needed to improve the situation. The Commission of Inquiry itself is one other move to try to find solutions.

Wage Margins

A PART from the waterfront, the year has been one of industrial peace, and a source of discontent has been removed by the decision of the Arbitration Court on wage "margins". These are the amounts awarded over and above the minimum or basic wage as rewards for the exercise of special skill or responsibility.

War and post-war conditions led to the submergence of the skilled tradesman because the labourers and repetition workers were enabled, by the strong demand for all classes of labour, to exert their numerical strength so as to secure priority in the distribution of industrial benefits.

The tradesman's position was worsened by inflation, which depreciated the value of his fixed "margin". The Arbitration Court, although it varied the basic wage until 1953—when the system was dropped—with each quarterly change in the retail price index, has always refused to do the same in respect of "margins". The result was that a typical skilled tradesman was awarded only 17 per cent more than the unskilled labourer, whereas in 1937 he received 43 per cent more. However, owing to the scarcity of skilled workers many employers at various times offered substantially "more than the minimum official remuneration by way of premiums over award rates and other devices such as guaranteed overtime". Governments and statutory bodies that are restricted to the payment of award rates have thus been at a disadvantage when competing in the labour market.

Immediately after it had stabilized the basic wage, the Court turned its attention to the claims of the skilled men, as represented by engineering tradesmen in the metal trades. After hearing evidence the Court made an interim announcement in February 1954 to the effect that the economy was not yet in a position to bear any additions to costs, and that any further increase in the wages bill must await an increase in productivity. The decision was deferred, and was given in November, after fresh consideration.

The Court showed itself to be impressed by the evidence of the worsening of the skilled man's situation. The Federal Government itself intervened in the case to suggest that the margins for the higher skills be reviewed, and the Bench did not conceal its belief that post-war awards had led to a serious "distortion" of the wage system. As a broad principle, therefore, it adopted the margins prevailing in 1937 as the standard, and multiplied these rates by two and a half to bring them up to date.

A few unions of the unskilled employees and employers have grumbled a little on principle, but the decision has generally been acclaimed as just and necessary. The lack of skilled labour remains one of the most serious obstacles to Australian expansion. This would become steadily worse unless sufficient inducement were offered to youths to undergo apprenticeship and technical

courses. There is less satisfaction over the impact on costs. The wage level in Australia is already too high for effective competition in a number of industries. Given a continuance of good seasons and high wool prices, the expanding economy will be able to absorb this increase, but meanwhile it remains vulnerable.

The Manilla Pact

THE trend of affairs in South-East Asia was the subject of debate in both Houses of the National Parliament during the session recently concluded. "It is not our business", said the Prime Minister on August 5, "to convert the Communist powers away from Communism by force, but it is our business to help to see that free countries, including our own, are not converted to Communism by force." To this end, Australia signed the Manilla Pact on September 8. "The primary purpose of the Treaty", said the Minister for External Affairs "is to combat Communism."

What the Attorney General described as "the powerful advantages" of the treaty to Australia were summed up by Mr. Casey as follows:

(i) the United States has committed itself to come to the assistance of any aggression. (ii) The Treaty covers not only overt aggression but Communist subversion. (iii) Not only does Australia promise to assist other countries against aggression. We ourselves receive promises of assistance. (iv) Although the present membership of the Treaty is smaller than we would have wished it, it lays the foundation on which a sound security system for the whole area can, and must, be built.

"The Opposition", said the Hon. N. E. McKenna, the Leader of the Labour Party on the Senate, "support this Treaty despite its weaknesses." Apart from some minor defects in drafting, these weaknesses, in his judgment and that of Dr. Evatt, were failure to provide: (i) that there should be no contribution of armed force by Australia under the treaty without the prior approval of Parliament; and (ii) that, in no circumstances, would Australia be committed under the treaty to taking armed action against another country of the British Commonwealth.

The first of these objections, which was vigorously pressed by both Dr. Evatt and Senator McKenna, directed attention to the "historic" announcement, specifically referred to in the last number of *THE ROUND TABLE*,* in which the Prime Minister stated that the Government was prepared to undertake, in peace-time, commitments extending beyond Australia's own borders. Although, as Mr. Casey pointed out, the treaty recognizes that each of the parties to it will act in accordance with its "constitutional processes" to meet what it agrees to regard as a common danger, the remarks of his critics bore witness to the vitality of the line of thought that has characterized Labour's policy on this issue since the "Conscription Campaign" of 1916.

In the result, Dr. Evatt's proposed inclusion of an appropriate proviso was rejected by the House of Representatives. Senator McKenna sought an

* See *THE ROUND TABLE*, No. 177, December 1954, p. 62.

assurance from the Acting Leader of the Government in the House that, "where opportunity permits, the prior approval of the Parliament will be obtained before Australian troops are sent overseas". "I could not possibly give the Leader of the Opposition the undertaking for which he has asked," replied Senator Spicer.

The second of the objections arose out of the possibility of war over Kashmir between Pakistan, a signatory of the treaty, and India. "I wish to state categorically", the Minister for External Affairs had said, "that the Australian Government would never regard itself as being committed, contractually or morally, to military action against any other member of the Commonwealth. The Pakistan Foreign Minister was informed of our position on this point before the treaty was signed." "Clearly", said Senator McKenna, "we are bound as clearly as we can be, contractually, under this document, and, if we are bound contractually, we are bound morally." He accordingly favoured the insertion of an appropriate reservation.

Senator McCallum, a member of the Foreign Affairs Committee, admitted that "an interpretation of the treaty according to its exact terms might place us in a quandary", but he went on to say, "surely we must not throw away the valuable benefit that we derive from the accession of Pakistan to this treaty because it might possibly confront us with a war in connexion with which we would find it hard to make a decision". And this was the prevailing view.

Obituary

SIR FREDERIC EGGLESTON, who died last mid-November in his eightieth year, was for long a valued member, and for one period Chairman, of the Melbourne Round Table Group, though he had to give up actual attendance at meetings a good few years ago owing to his many other public commitments.

He was a man of many parts. He was for many years in the Victorian Parliament, and was at various times Attorney General and Minister for Railways; and also served for many years on the Council of the University of Melbourne. During the Second World War he became, despite serious physical disabilities, Australia's first Minister to China, thanks partly to his wide knowledge of Asian history; and afterwards occupied a similar post in the United States.

Sir Frederic was, in addition, author of several well-known books. Probably the most notable of these was his *Reflections of an Australian Liberal*, published only a little more than a year before his death.

He was a most eminent citizen, a most generous and lovable man, always remaining young in mind; and his death will be deeply regretted by friends and admirers in all parts of the Commonwealth.

Australia,

February 1955.

NEW ZEALAND

THE GENERAL ELECTION

AFTER the quietest election campaign within living memory, and with three separate political parties in the field for the first time in many years, New Zealand went to the polls in its triennial election on November 13. A vote in which 92 per cent of the enrolled electors participated has returned the National Party to power, but with a reduced majority and a substantially lowered vote, the 50 seats held by the party in the last Parliament having been reduced to 45. The most interesting and unexpected feature of the election was the strength of the vote recorded by the candidates standing for the new party, the Social Credit Political League, which put up candidates in 79 of the 80 seats, these polling 11 per cent of the votes cast but gaining no seats. It would appear that the majority of these 120,000 votes have come from former supporters of the National Party. An interesting, but inconclusive, post-mortem has been conducted; but it completely fails to explain why the social credit policy made an appeal both in the conservative south and in northern districts with preponderantly rural populations.

It has often been suggested that the two-party system here lends itself to competitive bidding for votes on the basis of promises for higher pensions, reduced taxation, &c., but anything offered by the existing parties was completely overshadowed by the manifesto of the Social Credit Political League. While the Labour Party offered reductions in taxation and increases in social security benefits, the Social Credit Party, working on the Douglas theory, maintained that, without reducing government expenditure or social security services, it could abolish the social security charge of 1s. 6d. in the pound on all earnings, make "huge increases" in income-tax exemptions, and substantially increase all pensions.

The National Party went to the country with a policy which was largely a recapitulation of its 1949 programme and on the basis that its fitness to govern must be judged by its record. In 1949 the Labour Government had been in office for thirteen years including the war years, and during this period it had established many controls over business designed to stabilize costs within New Zealand. Most far-reaching in some respects were the restrictions placed upon sales of land and buildings, through which prices were held to 1942 values, despite the increased prices ruling for primary products and the greatly increased costs of replacing existing buildings. In the train of this legislation there arose pressures which led to "black marketing" and "under the counter" payments on a vast scale. Buyers did not hesitate to pay much more than the controlled values. At one stage it was stated that these illegal payments were being made in 80 per cent of sales of land and houses. The Labour Government, in addition, with a policy of full employment and support of local industry, had so hedged in the business world through import licensing that it had become profitable to traffic in

licences. Where the goods competed with locally produced manufactures, licences were heavily restricted. Many people were able to sell licences they did not want, at good prices, without taking any of the risks involved in the importation of the goods for which they had been issued. The abuses arising from this form of legislation were clearly apparent by 1949, and the National Government was then elected on the promise that to the greatest possible extent and as rapidly as possible it would remove these restrictions. Much of the Labour Government's legislation had been closely attuned to the New Zealander's general attitude on social problems, and though in 1949 the National Party may have doubted the wisdom of certain aspects of the social security legislation, it promised to maintain it all in operation. It thus came to power as a Government pledged to do away with controls, and in reiterating in 1954 its 1949 policy it showed that it believed the policy could be carried still farther, with advantage to the country. Having set up an Import Advisory Committee which recommended the setting up of a Board of Trade, with the object, after hearing evidence, of lessening the restrictions on imports to the greatest possible extent without harming local industries unduly, it affirmed that this policy had been successful and would be continued. "The National Party firmly supports the system of private enterprise, competition and reasonable profits", it said. "Our aims are full employment, a plentiful supply of quality goods, the maintenance of competitive conditions under private enterprise and a further steady reduction in controls over trade and industry, with adequate protection for manufacturing enterprises." By implication, though not directly, it suggested that its continuance in office would mean further reduction in taxation, while still maintaining some improvements in social security services.

Its major bid to the younger voters lay in its housing proposals, in which two ingenious new schemes were put forward to make it easy for young people to acquire homes of their own. The first will allow young couples to open special home "lay-by" accounts. When £500 is accumulated these will qualify for a maximum loan from the State Advances Corporation, to purchase or build a home. Under the second scheme, home ownership endowment policies taken out for children by parents will entitle them, at the age of 23, to a £2,000 loan on a house. Various other proposals for accelerating building and lessening the burden of home ownership were put forward, and emphasis placed on the record house building programme of the last twelve months, when more than 16,000 houses were erected, and on the expectation of completing 18,000 next year. Its proposals for agriculture included a continuance of its very successful land settlement schemes, with the objective of bringing 64,000 acres of virgin land a year to production, and the maintenance of producer control in the export marketing of primary products.

The Labour Party, also mindful of the younger voters and their preoccupation with housing problems, boldly announced its intention of building 20,000 houses a year with a minimum of 100,000 within the next five years, finance for private housing to be available to borrowers at 3 per cent. Another novel proposal in its housing platform was to allow parents requiring housing to have the whole of their child allowance (15s. a week for 16 years)

NEW ZEALAND

THE GENERAL ELECTION

AFTER the quietest election campaign within living memory, and with three separate political parties in the field for the first time in many years, New Zealand went to the polls in its triennial election on November 13. A vote in which 92 per cent of the enrolled electors participated has returned the National Party to power, but with a reduced majority and a substantially lowered vote, the 50 seats held by the party in the last Parliament having been reduced to 45. The most interesting and unexpected feature of the election was the strength of the vote recorded by the candidates standing for the new party, the Social Credit Political League, which put up candidates in 79 of the 80 seats, these polling 11 per cent of the votes cast but gaining no seats. It would appear that the majority of these 120,000 votes have come from former supporters of the National Party. An interesting, but inconclusive, post-mortem has been conducted; but it completely fails to explain why the social credit policy made an appeal both in the conservative south and in northern districts with preponderantly rural populations.

It has often been suggested that the two-party system here lends itself to competitive bidding for votes on the basis of promises for higher pensions, reduced taxation, &c., but anything offered by the existing parties was completely overshadowed by the manifesto of the Social Credit Political League. While the Labour Party offered reductions in taxation and increases in social security benefits, the Social Credit Party, working on the Douglas theory, maintained that, without reducing government expenditure or social security services, it could abolish the social security charge of 1s. 6d. in the pound on all earnings, make "huge increases" in income-tax exemptions, and substantially increase all pensions.

The National Party went to the country with a policy which was largely a recapitulation of its 1949 programme and on the basis that its fitness to govern must be judged by its record. In 1949 the Labour Government had been in office for thirteen years including the war years, and during this period it had established many controls over business designed to stabilize costs within New Zealand. Most far-reaching in some respects were the restrictions placed upon sales of land and buildings, through which prices were held to 1942 values, despite the increased prices ruling for primary products and the greatly increased costs of replacing existing buildings. In the train of this legislation there arose pressures which led to "black marketing" and "under the counter" payments on a vast scale. Buyers did not hesitate to pay much more than the controlled values. At one stage it was stated that these illegal payments were being made in 80 per cent of sales of land and houses. The Labour Government, in addition, with a policy of full employment and support of local industry, had so hedged in the business world through import licensing that it had become profitable to traffic in

licences. Where the goods competed with locally produced manufactures, licences were heavily restricted. Many people were able to sell licences they did not want, at good prices, without taking any of the risks involved in the importation of the goods for which they had been issued. The abuses arising from this form of legislation were clearly apparent by 1949, and the National Government was then elected on the promise that to the greatest possible extent and as rapidly as possible it would remove these restrictions. Much of the Labour Government's legislation had been closely attuned to the New Zealander's general attitude on social problems, and though in 1949 the National Party may have doubted the wisdom of certain aspects of the social security legislation, it promised to maintain it all in operation. It thus came to power as a Government pledged to do away with controls, and in reiterating in 1954 its 1949 policy it showed that it believed the policy could be carried still farther, with advantage to the country. Having set up an Import Advisory Committee which recommended the setting up of a Board of Trade, with the object, after hearing evidence, of lessening the restrictions on imports to the greatest possible extent without harming local industries unduly, it affirmed that this policy had been successful and would be continued. "The National Party firmly supports the system of private enterprise, competition and reasonable profits", it said. "Our aims are full employment, a plentiful supply of quality goods, the maintenance of competitive conditions under private enterprise and a further steady reduction in controls over trade and industry, with adequate protection for manufacturing enterprises." By implication, though not directly, it suggested that its continuance in office would mean further reduction in taxation, while still maintaining some improvements in social security services.

Its major bid to the younger voters lay in its housing proposals, in which two ingenious new schemes were put forward to make it easy for young people to acquire homes of their own. The first will allow young couples to open special home "lay-by" accounts. When £500 is accumulated these will qualify for a maximum loan from the State Advances Corporation, to purchase or build a home. Under the second scheme, home ownership endowment policies taken out for children by parents will entitle them, at the age of 23, to a £2,000 loan on a house. Various other proposals for accelerating building and lessening the burden of home ownership were put forward, and emphasis placed on the record house building programme of the last twelve months, when more than 16,000 houses were erected, and on the expectation of completing 18,000 next year. Its proposals for agriculture included a continuance of its very successful land settlement schemes, with the objective of bringing 64,000 acres of virgin land a year to production, and the maintenance of producer control in the export marketing of primary products.

The Labour Party, also mindful of the younger voters and their preoccupation with housing problems, boldly announced its intention of building 20,000 houses a year with a minimum of 100,000 within the next five years, finance for private housing to be available to borrowers at 3 per cent. Another novel proposal in its housing platform was to allow parents requiring housing to have the whole of their child allowance (15s. a week for 16 years)

as a lump-sum reduction of mortgage on the home. Thus each child born would (on the Labour Party's proposal of increasing the child allowance from 10s. to 15s. a week) have allowed for a reduction of £624 on the home mortgage.

The Labour Party made a strong point of the fact that the cost of living had been rising steadily and promised to stabilize food costs if returned to power. Pointing to the success of its war-time stabilization of costs, it asserted that it would do the same again, maintaining that, as a result of the National Government's actions, it now cost 28s., on average, to purchase what would have cost only 20s. in 1949. As the Labour Government had heavily subsidized certain essential foodstuffs such as bread, butter and milk, and as these subsidies had since been considerably reduced under the National Government, the cost-of-living argument, strongly presented to the electors, was probably one of the principal factors responsible for the reduced majority of the National Party. Liberalization of pensions, reduction of the basic rate of income tax, increased child allowances and a £10 bonus on the birth of each child were among the financial benefits proposed. Free textbooks in all schools, the stabilization of food prices at current levels and extension of certain health benefits were also promised. In most other respects the Labour Party's policy, following the normal prerogatives of the party not in power, simply offered to carry into effect many schemes previously rejected by the National Government.

Local manufacturers were wooed with proposals for maintaining import control on goods likely to jeopardize New Zealand industry. The approach to farmer-voters on the other hand appeared almost half-hearted, and consisted mainly of generalities such as "preventing land speculation and aggregation", and "continuing the guaranteed price system for butter and cheese", which no one had proposed to alter. The only agricultural novelty was a proposal to "negotiate long-term agreements with the British Government". As the British Government had long since announced its desire to discontinue bulk purchase under these agreements and has already greatly reduced the staff of its Ministry of Food, the way in which this policy would be implemented was left unstated.

On international questions there is a wide measure of agreement between the two main political parties. New Zealand's Labour Government, under the Premiership of the late Mr. Peter Fraser, had a particularly good war-time and international record, and while, in opposition, the Labour Party has been critical of details, it has strongly supported everything proposed for the strengthening of Commonwealth relationships and the Dominion's obligations to the United Nations Organization and the Colombo Plan.

The Doctrine of Social Credit

THE Social Credit Political League's policy read like the purest of the Douglas doctrines of the depression years and included the theory of "the gap" between total purchasing power and total retail prices, with the promise of "debt-free subsidies" and "just-price discounts" to bring the two

into line. The League's platform was confined almost entirely to financial proposals of one sort or another—and these were on the grand scale. The "gap", under their proposals, would be made good by "creating and issuing debt-free money by the Reserve Bank". Until a national balance-sheet was worked out, it was impossible to say with certainty how much money was needed to fill the gap, "but all indications were that it would be a considerable sum, in the region of £190 million a year". This round sum made it possible for the social credit financial proposals to be on a very generous scale. Immediate reductions in income tax were of an order that would have meant that a married man with four children earning £1,200 a year would pay no income tax, and all pensions and social security benefits would be considerably increased. The total of these amounts would still not "bridge the gap", and the reduction or abolition of most other taxation would follow. In addition, "as an interim programme and till full operation of a just price discount applicable to all consumable goods could be organized", debt-free subsidies would be paid "... on food, fuel, household appliances and the like". Moreover, although New Zealand, with its virtual dependence on exports for its standard of living, is particularly liable to income fluctuations, the League maintained that "overseas prices need not bring a depression in New Zealand while a Social Credit Government is in power ... there is no need for poverty amidst plenty".

Against the competition of these platforms, the National Party suffered at the polls for its sins of both omission and commission. The decontrols and greater freedoms it had promised in 1949 had not always led to the expected results. Those in business and industry who had then become alarmed at the steadily increasing restrictions imposed by a Labour Government had found that the increased flow of imports that followed the National Government's legislation affected local manufacturers, causing a degree of competition that had not been known since pre-war days. This was particularly the case in 1951, when the freeing of exchange led to a flood of imports. Those who had believed that lower prices would follow the election of a National Government had seen costs rising steadily since 1949 and, despite several wage boosts, felt that too little had been accomplished in the way of holding costs. Neither made allowance for the changed world conditions that made greater imports possible and higher costs inevitable. The Labour Government's policy of "licensing" industries, protecting their outputs by means of import control, through which competing products were severely restricted, and even limiting competition within New Zealand, was one which may have led to frustration for consumers, but was comforting to some manufacturers.

Relaxation of Controls

WHATEVER adverse effect the changes wrought by the National Party may have had upon its fortunes at the elections, there has been a much greater range of everything from foodstuffs to fashion garments available than ever before. Nevertheless, each loosening of the bonds of import control, without some compensating tariff protection, brought in its train a

number of protests, irrespective of the products, and sections with normally opposing interests made common cause in urging the Government to reinstate some particular control. Doubtless some of the National Party's lost support resulted from changed allegiance by those affected. Those who, in the days of the Labour Government, had longed for greater business freedom were perhaps alarmed at the National Party's promise of "a further steady reduction in controls over trade and industry".

Though no longer publicly advocating a policy of "the socialization of the means of production, distribution and exchange", the Labour Party, with its mixture of support from extreme left to near right, almost invariably takes the viewpoint that competitive enterprise is something requiring plenty of government control to keep it in order. At first sight such a policy would appear to be diametrically opposed to manufacturing and business interests. Experience under a Labour Government was, however, happy for some New Zealand industries, which were able, through the restrictions placed on imports, to produce and sell large quantities of goods without the worry of real competition. While many of the old-established and efficient local industries had welcomed the changes, a number of the minor ones are finding the competitive going difficult.

The advent of the Social Credit Party has introduced doubts and uncertainties for the future of both the other parties. It is possible, however, that the results have shocked even many of those who on this occasion voted for the Social Credit Party, largely with the intention of showing some dissatisfaction with the National Government, but with no desire whatever of seeing their radical financial proposals brought into operation. There seems no rational reason why, in a time of unexampled farming prosperity and in one almost exclusively rural electorate, the social credit policy could receive support from 29 per cent of the voters, as it did. This is one of the problems that the National Party is now engaged in studying. There are others that will also require solution if it is to remain in office after the present three-year term. "To-day's voting is a stern warning that something better is expected of us", said the Prime Minister on election night, "and we have the ability and the common sense to search for the answers to that question."

Meantime, Mr. Holland has made a good start by strengthening his Cabinet and freeing himself from the exacting responsibilities of the department of Finance. The new Cabinet consists of 16 Ministers, 10 who have served before, and 6 new members who, as back benchers, have shown energy and capacity. As the average age of the new Cabinet members is only 46, it may be expected that reinvigorating influences will be at work, shaping future policy. With a small government party the problem of forming a cabinet is always difficult, since a big proportion (more than one in three, in this instance) must be Cabinet Ministers.

A £10 Million London Loan

WITH the National Party's return to power in the recent elections, it is likely that there will be a continuance of the policy of financing some part of the country's considerable capital development programme during

the next few years by moderate-sized loans raised in London. Last year a £10 million loan was raised in this way and late in October 1954, while the parliamentary election campaign was under way, the Prime Minister and then Minister of Finance, Mr. S. G. Holland, announced that a further £10 million loan was shortly to be floated in London. The London view of our financial outlook was flatteringly demonstrated by the reception subsequently accorded it, the loan, issued at $3\frac{1}{4}$ per cent, being over-subscribed immediately.

The Leader of the Opposition, Mr. Walter Nash, immediately joined issue with Mr. Holland regarding the wisdom of raising the loan. It would be incorrect to say that the question loomed large in the eyes of electors here, but the pros and cons were debated to some extent. In brief, Mr. Holland's view was that a policy of paying for some of the capital expenditure of the next few years by way of London loans was sound, because the money so raised would help to provide the facilities for increasing our income from exports.

The facts are that our population is increasing rapidly, closer settlement of farm lands has been taking place on a very considerable scale since the war, the demand for electricity is increasing at the rate of 10 per cent per annum (and practically all New Zealand's farms are electrified and use power for milking, shearing and many other purposes), and the extensive development of our timber resources necessitates increased railway and harbour facilities. For years past, with over-employment, we have suffered from a degree of inflation, aggravated because much long-term investment has been financed through the expansion of bank credit. The recent loan in London, by providing funds for capital imports, eases the demand for capital payments. The Social Credit Party opposes foreign borrowing.

Mr. Nash, on the other hand, opposes the raising of loans in London under present-day conditions, when New Zealand is earning very large sterling funds with her exports. He points to the experience of the depression years in the thirties, when 26 per cent of our export income was needed to pay interest in London. It was partly as a result of this that the Labour Government's policy (in which Government Mr. Nash was Minister of Finance) was to pay off loans in London as they matured.

From the reception accorded the latest New Zealand loan in London it would seem that Mr. Holland was on solid ground. As a result of the substantial prices paid for our exports, combined with repayment of loans and lower interest rates, London interest payments required only slightly more than 1 per cent of our income from exports in 1953. It is clear that very considerable further sums would have to be raised, and exports drop to a marked degree, before oversea interest payments would in any way embarrass us.

New Zealand,
January 1955.

EAST AFRICA

CONSTITUTIONS AND CIVIL WAR

B RITISH interest in Africa, which for five or six years after the war was so intent upon the early stages of the experiment of self-government in West Africa, first seriously turned its eyes to the other side of British Africa—Central and East—about four years ago. What seemed complicated on the west coast immediately appeared baffling in the extreme on this other side of the continent, where British contact has existed for so much shorter a time and where there are permanently resident white (and brown) communities, and not merely large numbers of Africans unfamiliar with Western ways. It was noteworthy that the event which switched attention was the proposal to federate Central Africa, for in the scheme nothing was more hotly contested than the central issue of the safeguards for African interests. Yet Central Africa, despite the labour problem on the Copperbelt, seems to have passed through its contentious post-war period without serious upheaval. It is farther north, where the battle for Kenya is raging, that there stands the stern reminder that British influence in Africa is not by any means assured, least of all in those places where there is a resident white community.

One thing seems clear. East Africa is not likely to go the way of Central Africa. Nairobi (and the administrators) would welcome an East African Federation and they talk of it with groundless confidence, but after the pledges against forcing Uganda into federation which preceded the Kabaka issue in Buganda, and in view of the increasing plans for self-sufficiency in Tanganyika, the plain fact is that these three East African territories—Kenya, Uganda and Tanganyika—are going their separate ways, chiefly, it should be said, because those outside Nairobi abhor Nairobi. So Kenya is shakily set on its multi-racial path (though multi-racial only in the sense that the three races participate; there is still a lop-sided European predominance); Tanganyika stands by parity of representation, and even, so it seems, parity of esteem, while Uganda is to be primarily an African country with proper safeguards for minorities. All this is possible because, of all the East African territories, only tiny romantic Zanzibar with its Middle Eastern flavour (making it more parochial than any of them) is unlikely to be able to stand on its own feet—with the significant possible exception of Kenya. So that if East Africa seems to the outward eye to be one potential Dominion, the appearances are politically, historically, socially, culturally and indeed economically false. Here there are three different countries, with a small fourth in a backwater alongside. East Africa is approximating in this respect more to West than to Central Africa.

Kenya

M AU MAU, therefore, is Kenya's trouble, and only incidentally an East African concern. Indeed it is not always realized that the outbreak is

confined to one-tenth of Kenya's total area and that though three tribes—the Kikuyu, the Embu and Meru—are involved, they only comprise $1\frac{1}{2}$ million out of a total Kenya African population of $5\frac{1}{2}$ millions. Even so it is true enough that this hideous civil war (to give it the proper name) has wracked the whole of Kenya—and it entered its third year last October. Just how hideous Mau Mau is was made startlingly clear when it appeared a few weeks later that a Kikuyu-speaking European settler, Mr. A. G. Leakey, had been buried alive as part of a human sacrifice on the slopes of Mount Kenya. There was full justification for the leading article in the *East African Standard* headed "The Depths of Degradation". All that needs to be added is the question how many others—mostly Africans—have been destroyed with equal if varied bestiality, and are not even numbers in the reckoning. The first task, therefore, on which it now seems even a growing number of Kikuyu, Embu and Meru are agreed, is to destroy Mau Mau. By October the new War Council, established under the Lyttelton constitution, could claim that for every operation being started by Mau Mau nearly three operations were being launched by the security forces, whereas in the first six months of the emergency the ratio had been two to one the other way round.

But then there followed three months of uncertainty when there was profound anxiety about whether Mau Mau could ever be brought to an end. Security operations were started but seemed to lack the necessary punch to make much difference. Moreover, there were all too many cases before the courts which left the impression that the security forces were not all that they should be. A moment's thought would give the explanation, for very many of the Home Guards have suffered terribly at the hands of Mau Mau; yet the readiness with which it seemed old and new scores might on occasion be paid off scarcely constituted the rule of law which the Government were trying to restore. It was certainly clear that the steps that had been taken to check the excesses of the security forces had tilted many of the Home Guards back into the era when they wondered once again which was the worse of two evils—the unguaranteed support of the Government or the fearful adventure of Mau Mau. On all hands an uneasy suspense prevailed.

This was broken in January when General Erskine launched his carefully prepared "Operation Hammer". For some months he had been manoeuvring into the position where he could leave the now augmented police and administration to tackle any Mau Mau that showed their hands in the reserves or the settled areas. And then, once he was satisfied, he ordered his nine battalions up into the bamboo of the Aberdares, some even as far as the snowline. Soon after the Government announced a twofold amnesty: for Mau Mau who surrendered, freedom from prosecution (though not from detention); for the security forces, a clean slate, but a stern warning for the future. This could be the beginning of the end, but caution is necessary for Mau Mau is hydra-headed, and there are still 7,000 men at large.

There is general agreement that the multi-racial government is functioning most satisfactorily; but by itself that is not enough. It is Kenya's only hope

that multi-racial government should also be generally accepted; and there are radicals in all three communities who dislike it. The Europeans conduct their politics more openly and the present political truce only postpones the inevitable political battle, which will be different from any in the past, because for the first time there are "ins" and "outs". The prospect of removing the "ins" appeals more to the Kenya norm of attacking the holders of office than the alternative of backing them. This—for he holds office—is Mr. Blundell's obstacle, and on it multi-racial government could break down. His new and relatively liberal United Country Party is therefore clearly wise to set about some patient organization—which in Kenya's politics is the most important development of the last few months.

Uganda

IN Buganda across the border, in the inland protectorate of Uganda, the conditions for resolving the political conflict between the British Government and the Baganda tribe have now broadly been created. Last September the Buganda Constitutional Committee, which had been appointed by the Great Lukiko (Buganda's native parliament) to settle a whole series of constitutional dilemmas, announced that they had reached agreement on constitutional reform with the Governor of Uganda, Sir Andrew Cohen. This had been made possible through the wise and creative mediation of Sir Keith Hancock (the Australian historian, who is Director of the Institute of Commonwealth Affairs in the University of London). It almost seemed as if there was little more to do but to publish the reforms and carry them out. Yet there could be no real doubt that during the middle months of the year the Baganda had become more and more committed to securing the return of their Kabaka, Mutesa II, whose deportation by the British Government in the previous November had set the political conflict alight. Certainly the breach between the British and the Baganda, which Sir Keith Hancock had striven so patiently to close, was soon after his departure wrenched open once again by the (at that stage) purposeless court case, in which some members of the Lukiko, acting at the instance of advisers in England, persisted with the challenge they had issued in the previous February against the legality of the British Government's withdrawal of recognition from Kabaka Mutesa II as native ruler of the province of Buganda. The outcome really only revolved around legal technicalities, and the moral issues on both sides were only superficially treated. But the case served—together with the Governor's unexplained visit to London in November—to bring matters to a critical pass. This had the perhaps fortunate consequence that the Buganda issue had to be squarely faced in London. Cabinet discussions took place, and the Governor returned to announce to the Great Lukiko that the British Government had decided that if the Great Lukiko accepted the Hancock reforms, which had been agreed to by their own committee and were now published, then a new situation would be created, and nine months after the reforms had been brought into operation (or sooner if they were working well), the Great Lukiko would be given the opportunity of choosing whether

to elect a new Kabaka or to ask for Mutesa II's return, despite the Government's previous announcements to the contrary. (There was an unfortunate mob incident which prevented the Governor from finishing his speech, but, apart from being a timely warning of the existence of the underworld which Buganda's leading politicians have done so much to restrain, it had little influence on the subsequent course of events.)

Sir Andrew Cohen's speech gave promise of a new era, but this has not yet opened. To begin with, there was a tendency amongst the Baganda to resent the Government's astuteness in making sure that the Baganda did not get what they wanted—the return of Mutesa—unless the Government got what it wanted—the reform of the Buganda constitution and Buganda's ready participation in the government of the whole protectorate. But, despite a slow start by the Buganda Constitutional Committee in commending the reforms to their people, there were signs before the Lukiko met to make its decision in December that the reforms would be accepted.

In the event the Lukiko stalled—and for a number of rather vague reasons. There was, to begin with, some annoyance at the self-importance of the Constitutional Committee. There was, too, some genuine dislike of certain aspects of the reforms—more particularly the specific affirmation of the Governor's powers (however reduced), and the severe weakening in the traditionally personal authority of the Kabaka. There was also a hope that, if agreement was deferred, further concessions might possibly be secured, and this was coupled with an all-too-human reluctance to bid farewell to a period when political capital was to be had for the making. All this crystallized when a member of the committee itself, Dr. Kalibala (largely, it seems, misinterpreting his colleagues' approach), suggested that a wholly new committee should be set up to consider the difficulties and the proposals all over again. This was done—a disappointment both to the constitutional committee and to the Government.

But the Government hold the whip hand, for they have placed within the grasp of the Baganda the prize—the restoration of Kabaka Mutesa—for which they have striven with so much zeal and so much singleness of purpose for all the months of the past year. Moreover the Government can most justifiably claim that the proposed reforms are not some alien imposition from Westminster, but the work of a Buganda committee who were under no compulsion at all to agree to them. The Government may also feel confident that there is little doubt among many of those who have studied the situation that the proposed reforms offer a most promising solution to the problems, and open up a happier future for the Baganda in particular and the protectorate as a whole.

The Government, therefore, are likely to stand fast. What is more, the Kabaka himself, upon whom so much devotion has been showered, has made it known that he thinks steps should be taken without more ado to bring the reforms into operation. At the time of writing another Lukiko meeting is to be held. They could, of course, try something else, but it is difficult to imagine that at the end of the road (which could still be long) they will not compromise, much on the lines of the Government's offer. It would certainly be

premature for a good many months to imagine that the Lukiko's refusal is final.

Tanganyika

BY contrast with its neighbours the surface calm of Tanganyika appears unruffled. Last July a major project was brought to fruition when the port of Mtwara was opened as the first stage in the development of the hitherto backward Southern Province. Here, in an area the size of England, the fanatical Maji Maji rebellion against the Germans took place in 1905, when, it was said, 120,000 people perished. Recently it was the scene of one of the failures of the groundnut scheme. Now, owing to the initiative of the Governor, Sir Edward Twining, it has a port with a capacity of 500,000 tons a year, and a railway line which could run, in due course, as far as Nyasaland. One more area of under-developed territory is thus being developed—and this is going to be important, for despite its late start Tanganyika already heads the list of East African territories with its exports, and has a better balanced economy than any of them. It is a country whose economic potentialities are only just becoming apparent.

Moreover, there is some natural pride in its political achievements. On December 2 Sir Edward Twining announced that he hoped a new Legislative Council would meet for the first time on April 20, and that it would consist of 31 Government supporters and 30 representative members—10 for each of the three races, European, Asian and African. European objections to this "parity" have long since died down. Asians welcome it. (Indeed they plainly prefer Tanganyika to the other two territories, for in Kenya they are subordinated to the Europeans, in Uganda to the Africans, but in Tanganyika to no one.) As for the Africans, there is a remarkably widespread confidence among them that they are receiving fair treatment, and even the newly formed Tanganyika African National Union, whose President is a member of Legislative Council, has announced that it accepts the principle of "parity" though it also calls it "a convenient expedient".

Here lies a warning, which the Union developed in its statement to the United Nations delegation which visited Tanganyika in August and September. (As a former German Colony, Tanganyika is now a Trust Territory.) The Union stated that "the African of this country would further like to be assured by declarations both by U.N.O. and the Administering Authority that this Territory, though multi-racial in population, is primarily an African country and must be developed as such". No one pretends that the Union is representative, but its statement certainly indicates that an ostrich-like faith in "parity" could be dangerous once African opinion begins to overcome the still formidable obstacles of distance and indifference between tribes. In the meanwhile Tanganyika may well have a few years in which to take a long look at the experiences of its neighbours. It is also building up an invaluable fund of goodwill. It would be tragic if its opportunities were neglected.

East Africa,
February 1955.

*Have you
thought about*
**DEFENCE
BONDS**
Lately?

... they're well
worth considering for the following
reasons:—

£3.10.0 interest per annum on each £100 invested. 3½% Defence Bonds costs £3 each and you may hold up to £2,000 of them in addition to all holdings of earlier issues. Interest is paid half-yearly but income tax is not deducted at source.

£3.0.0 income tax-free bonus after 10 years on each £100 invested. If encashed between 5 and 10 years the bonus will be 1%.

100% capital security. Defence Bonds are free from fluctuations. They are the finest investment of their type.

BUY ALL YOU CAN

Obtainable from Post Offices, Banks, or through your Stockbroker.

Issued by the National Savings Committee, London, S.W.3

PRINTED IN GREAT BRITAIN
AT THE UNIVERSITY PRESS, OXFORD
BY CHARLES BATEY
PRINTER TO THE UNIVERSITY

